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The Geopolitics of the Asian Crisis
Stephen Gill

The U.S. Economy in 1999
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No Mas Canosa
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Books:

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Revisiting the Marx-Malthus Debate
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Greenwash and Globalization
John Trumpbour

1949-1999 50 YEARS

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NOTES FROM THE EDITORS

If the United States has ever had a "welfare state," Social Security must surely be the heart of it. In the world's most predatory capitalism, this is the closest thing to a humane and equitable institution. An International Monetary Fund (IMF) study has even suggested that the U.S. state pension system is more redistributive than the one in social democratic Sweden. (But who trusts the IMF?) What, then, should we make of Clinton's proposal for "rescuing" the system?

Let's get one thing straight first. The talk of rescue is phony, because the crisis is phony. It has nothing to do with a cash crunch or with the coming explosion of aging baby boomers, and everything to do with politics and ideology.

Over the years a bill of goods has been sold to the public that the Social Security system is in danger of going bankrupt, and that at some

(Continued on inside back cover)

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THE GEOPOLITICS OF THE ASIAN CRISIS

by STEPHEN GILL

The Chinese character for "crisis" combines the ideas of danger and opportunity. In the span of about one year, a regional economic "miracle," with its promise of continued high economic growth and opportunity for all, was transformed into a severe regional, and potentially global, economic collapse. It has seriously endangered the livelihood of millions of people, causing untold misery and suffering.

The Asian economic crisis has not been simply a matter of movements in the global markets. Geopolitical factors have also been at work. This article will consider the ways in which the crisis has been linked to the reassertion of U.S. strategic power and supremacy in the region, through the increasing internationalization of capital. The East Asian crisis shows how, in the so-called new era of "globalization," there is intense interstate conflict over the form and direction of regional and global patterns of capitalist development. Central to U.S. strategy is the imposition of a specific neoliberal model of restructuring. In the context of recent crises, state-directed and controlled forms of political economy have been, and are being, pressured to liberalize. This general pattern can be identified not only in the recent developments in Asia, but also in the restructuring of Latin America following the debt crisis of the early 1980s, and in strategies to transform the communist-ruled states of Eastern Europe and the former Soviet Union in the early 1990s.

Thus, the East Asian crisis represents the third phase of a longer process involving the reassertion of U.S. strategic dominance. So on one level, the crisis is that of an authoritarian state-directed capitalism that blocks a specific type of internationalization of capital. The U.S.

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aim is a global free enterprise system, which allows large institutional investors and giant transnational corporations to gain greater control over future profit-flows in the region, insuring freer labor markets which can better exploit labor.

This scenario requires governments in the region to continue to act, and actually be able, to maintain political order, because the process of structural adjustment is, and will continue to be, a wrenching one. Whether these governments will succeed remains to be seen. It is in this context—despite the obvious dangers of repression in a region characterized by authoritarian and dictatorial governments—that the crisis is opening up opportunities for new political forces to organize further. It also allows for the possibility of alternative forms of development based, for example, on concepts of human advancement and democratization of the state and the economy.

The "Usual Suspects": Ideology and the Imposition of Neoliberalism

As in the Latin American and Eastern European cases, when crises emerged, there was a debate among the G7 nations (the advanced capitalist countries: Britain, Canada, France, Germany, Italy, Japan and the United States) about strategic responses. Ideology has played a major part in this debate, which has been dominated by strategists of the liberal approach. I call these strategists the "usual suspects"—as in the phrase from the movie *Casablanca*, in which the French police inspector would routinely order his policemen to "round up the usual suspects" when a crime had been committed, ostensibly so they would report to the occupying Nazi authorities.[1]

In the debate over East Asian restructuring, there is a lineup of experts who are regularly wheeled out whenever a crisis occurs. At least in the mass media and politics of the West, these usual suspects advocate a liberal framework for the internationalization of capital. They are invariably drawn from the International Monetary Fund (IMF), the U.S. Treasury and Federal Reserve, Wall Street, Ivy League universities, think tanks, mega-corporations, and the governments of North Atlantic nations.[2] All of the usual suspects advocate some form of structural adjustment, although there is some debate about the nature and scope of the role of the IMF in this process. What this effectively does—its negative ideological function—is to present the question as if there is no alternative to the orthodoxy of Wall Street and the so-called "Washington consensus." The positive dimension of this ideology is that it gives identity and political direction to the processes of power, class formation, and restructuring.

Thus, the usual suspects have persistently criticized the East Asian model for giving unfair advantage to local (as opposed to foreign) firms, because East Asian firms obtain cheaper, state-subsidized supplies of capital while foreign firms are denied full market access. Some

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of the usual suspects have argued that the crisis is caused partly by too much overseas borrowing (especially of short-term funds) and bad investments linked not only to state-subsidized crony capitalism, but also to inadequately supervised and poorly regulated banking systems. Some of what they argue is true, of course, as the huge pyramids of bad debts in various countries indicate.[3]

For the usual suspects, however, the solution to the current crisis is self-evident: it involves a shift away from state capitalism toward a free market system based on investor interests and the maximization of shareholder value. They claim this system is more efficient. What they fail to emphasize is how deregulation, privatization, and liberalization are a means of strengthening a particular set of class interests, principally the power of private investors. Structural adjustment allows for a redistribution of claims on future profit-flows that enable foreign capital to gain power and control over regional development patterns.

Thus, under conditions of crisis (when loans are required, to deal with balance-of-payment difficulties or a wider financial crisis), the usual suspects press the U.S. government (and thus the IMF and World Bank), to deal with what are euphemistically called "structural rigidities" on a "case-by-case basis"; then they press for "more fully developed securities markets" (so they are allowed to buy local assets and raise capital in those markets), arms-length bankruptcy laws (so that assets can be bought cheaply in distress and workers can be laid off), and the elimination of restrictions on insider influence and what they call "crony capitalism" (so that foreign investors receive equal treatment).

Another issue the usual suspects rarely talk about—at least publicly—is the relationship between structural adjustment and fundamental questions of power and geopolitical strategy—that is, how the Asian crisis has been a means for the United States to strengthen its strategic interests worldwide.

Mystification and the East Asian Model

There is much mystification about the nature of the regional political economy. In fact, despite what the usual suspects claim, there is no single East Asian model but a complex of national and regional development practices, developed in a particular geopolitical context. Between 1945 and the early 1990s, this context involved decolonization, the Cold War in Asia and, later, the growing influence of Japanese capital on export-led regional development. (By the 1990s, Asian exports accounted for roughly 30 percent of Gross Domestic Product [GDP], making Asia the world's most export-dependent region.) Economic development generally took place under dictatorial or authoritarian governments. Nevertheless, not much of the

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capital that flowed into the East Asian region from the West after the Second World War involved a large shift in the control over industrial structures, which allowed the state and local capitalists to forge a "catch up" strategy of late-comer industrialization.

The post-1945 industrial and export-led expansions were associated with Cold War structures and were state-directed and -controlled. The Korean and Vietnam Wars each gave an economic boost to many of the nations in the region. Also, the anticommunist East Asian Newly Industrialized Countries (NICs) were supported by the United States, and dictatorships and authoritarian regimes, with strong militaries and secret police forces, were installed to sustain anticommunism. These regimes maintained local political conditions that allowed for the security of U.S. military bases. Thailand also provided bases for "rest and relaxation" for U.S. troops—that is, the origins of today's regional sex trade.

In return, the United States and, more reluctantly, its Western European allies provided access to their markets, again partly for geopolitical reasons. Over time, this allowed for rapid industrialization in the region—or what some have called "dependent capitalist development." In this way, the political and class structures of each state interconnected around the central axes of primarily U.S., and secondarily Japanese, political and economic power in this diverse region.

So what is changing in East Asia? As noted, what is at issue is not the presence or supply of foreign capital and power in the region as such, but a change in the form of that power, toward a more market-based system, or a shift from one pattern of capitalist development to another.

Leaving to one side the political differences between Anglo-American and state capitalist models (for example, the lack of democracy and individual freedoms in much of East Asia), both are "capitalist" in the sense that each system is premised on the maximization of profit-flows over time. However, the differences between the two become apparent in conditions of crisis and restructuring, or what the IMF calls "adjustment." In situations of crisis, the Anglo-American financial markets tend to shape the economic response in the United States and the United Kingdom. They are characterized by what has been called a "capital-market" system (sometimes known as a "fluid" capital system).[4] This means that the supply of capital for investment is provided mainly by stock and bond markets, and this in turn reflects the interests of shareholders or investors: the private property owners call the shots. In such a case, if a company fails, it is made bankrupt, workers are immediately unemployed, and the firm is liquidated.

By contrast, the Japanese and East Asian financial systems tend to be "credit-based," or dedicated capital systems. Historically—in Japan and in the East Asian NICs—these have tended to be bank-centered,

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highly concentrated, and state-directed systems. In a crisis, the government generally has tended to negotiate adjustments amongst affected groups ("stakeholders") within society, including workers. This is also largely true in Germany. Here, the government, in conjunction with business networks and groups (e.g., Japanese *keiretsu*; South Korean *chaebol*), historically has organized a response to economic crises (like the oil crises of the 1970s) that is based on the general socialization of risk and informal workouts, with the help of business networks.

The Restructuring of East Asia and the New Geopolitics of Finance Capital

The Japanese and East Asian systems had been slowly moving in a liberal direction during the early 1990s, of course, but the key turning points (which accelerated liberalization) were probably 1994, when the Chinese renminbi was massively devalued to promote its labor-intensive exports, and 1995, when the Japanese yen began to depreciate against the dollar.[5] This began to put pressure on exchange rates in the region. One reason for this was that when China devalued, it undercut rival Asian manufacturers in export markets like the United States, exposing the region's overinvestment. (Investment levels were massively higher than anywhere else in the world.)[6] This immediately turned much of its production platform into surplus capacity—i.e., it revealed chronic overproduction. At the same time, vast sums had been borrowed abroad, some of which were used to finance real estate and other high-risk forms of investment. That is, a business mentality more fully in tune with the gambling or casino aspect of capitalism had begun to take hold in the region. However, the economic dimension of the crisis was and is structural: it is fundamentally a problem of excess supply, or overproduction.[7]

When the crisis broke, under these conditions, the IMF moved in, not only to deal with questions of macroeconomic restructuring and exchange rates, but also to institute deeper structural reforms. As it had in Mexico in 1994 and 1995, the IMF assured foreign investors and banks that their debts would be repaid, and it moved to roll over short-term into long-term debt, compelling various governments in effect to socialize private debts. The fund also sought to break up the cartels, privatize or dismantle state-owned enterprises, create flexible labor markets (allowing workers to be fired more easily), and eliminate food subsidies in places like Indonesia, where per capita incomes have been halved to around $150, and where millions of farmers faced starvation because of drought.[8]

The socialization of private debts to foreign investors, accompanied by removal of food subsidies to the poorest, shows the limits of the commitment to pure free-market polices when the interests of

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Western capital are endangered. It also illustrates the class bias of the process as a whole.

So how does this process of "economic" restructuring relate to the strategic issues facing the region? This question can be answered best by looking at the Japanese government's failure to create an Asian Monetary Fund (AMF) to deal with the economic crisis.

After the debt crisis in the early 1980s, the IMF subjected more than sixty countries to austerity measures under strict conditionality. In this way, liberal adjustment measures became relatively universal. In the 1990s, similar programs were applied in Eastern Europe and the former Soviet Union. In the East Asian crisis, the IMF has applied harsh conditionality once again.

Of course, it is well-known that it was the U.S. Treasury which blocked Japanese proposals to create the AMF. The United States wanted to ensure that the international rescue operation was run on U.S. lines. As the *Financial Times* put it on January 15, 1998, "there was a dangerous moment before the Korean collapse, when the momentum was building in Asia behind a Japanese-led plan for a special regional bailout fund ... Mr. Summers [Deputy Secretary of the Treasury in the Clinton Administration] managed to kill off the proposal and leave the IMF at the forefront of the bailouts—the critical element of the U.S. approach."

What was significant about the Japanese plan was that it would have imposed a gentler form of adjustment in the region, while consolidating Japanese political influence. This was at a time when the relationship between Japan and the United States was under pressure. This was in part because of the chronically weak condition of the Japanese economy, as well as a result of the continued resistance of Japanese leaders to fully open up their domestic structures to deeper penetration by U.S. capital.

The blocking of the AMF is analogous to the struggles over the future direction of Europe when communist rule collapsed in the late 1980s. For example, West Germany, because of its close economic links with and geopolitical proximity to Eastern Europe and the Soviet Union, proposed a gradual program of reforms to make the former communist-ruled states into capitalist political economies. This proposal was a type of long-term Marshall Plan approach which would have cemented the economic and political interests of Western Europe and Eastern Europe. The German plan contrasted with the strategy of rapid transformation or "shock therapy" associated with Anglo-American proposals. In other words, there was a struggle over how these societies would be reintegrated into both regional and global capitalism. The process was eventually dominated by the Anglo-American approach, reflected in the policies of the IMF, the

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World Bank and the new European Bank for Reconstruction and Development.

What was at issue, in a geopolitical sense, was the prevention of a restructuring that would allow greater regional political cohesion (under a German leadership that promotes a form of "stakeholder" as opposed to "shareholder" capitalism), and thus would limit the prospect of European regionalization developing beyond U.S. control. These reform measures were therefore accompanied by NATO enlargement, so that the military and strategic context would continue to be under the control of an alliance structure dominated by the United States.

Another historical example is significant. In the Latin American debt crisis of the 1980s, a transnational political coalition which included the powerful G7 governments (led by the United States), international financial institutions, large banks and institutional investors in alliance with local political leaders, was able to force restructuring on these societies. This occurred in part so that these societies' debts would be repaid, and in part so that their markets and social structures would be open to exploitation by foreign capital. One universal result of these policies was a rapid widening of social and economic inequality in already extremely unequal societies. Greater external dominance was also a consequence.

Thus, in the context of the Asian regional crisis, the United States strengthened political and military links with China, partly as a means to influence Chinese power, and partly to offset the potential for a Japan-centered regional bloc that might, like the European Union, create more autonomy in relation to the United States—a regional bloc that might, for example, eventually create its own currency as a rival to the dollar. However, particularly in the context of the humiliation Japan suffered in the Gulf War of 1991 (when it was forced, like Germany, to pay a huge financial tribute to support the U.S. war effort), the defeat of the Asian Monetary Fund proposal showed once again the enormous subordination of Japan to U.S. power. Thus the regional geopolitical situation now involves a strong element of realpolitik between the capitalist and communist superpowers: China increasingly needs U.S. markets and supplies of high-technology equipment and weapons systems, the United States needs China to help to contain Japanese power and to prevent a form of regionalization that can threaten U.S. globalism.

Conclusion

In the East Asian crisis, while many of the economic and social problems were clearly indigenous, an opportunity arose for the power of the United States and Western capital to be brutally exerted in the region. It is too early to know precisely how the political situation will

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develop. But at least now we know that the crisis is producing political contradictions because of, first, its impact on authoritarian governments (insofar as it undermines dictatorship) and second, its effects on the working classes and peasants of the region. While it creates demands for alternatives, it undermines the potential for real democracy as workers suffer.

The political situation is complex and the reactions to neoliberal globalization come from both right and left. The political right in the region (Malaysia, for example) has used capital controls. Controls have also been actively considered by the Japanese government. In mid-December 1998, the Japanese government revived the AMF proposal, but it remains to be seen whether the United States will once again block a regional effort.[9] Instead, intense Japanese and regional frustration with the United States was reflected on January 22, 1999, when the key official in the Japanese finance ministry, Eisuke Sakakibara (known in global financial circles as "Mr. Yen"), delivered a speech entitled "The End of Market Fundamentalism." Sakakibara cited Keynes and Polanyi in his indictment of the usual suspects and their Anglo-American, neo-classical approach to restructuring.[10] So whether the United States will be able to sustain its regional dominance and block the Japanese challenge (or heresy) may turn out to be very much an open question. Others, on the left, have proposed taxes to regulate international capital mobility. In some contexts, remobilized labor movements and left-wing parties have started to cooperate with domestic capitalists to resist structural adjustment and austerity. In other words, they have opted implicitly for a return to a reformed state capitalism.

Thus the regional collapse is provoking some rethinking about alternative forms of development—considerations that were not seen as crucial in the hyper-materialist era of the "miracle," when growth rates were rapid, incomes were increasing, and few leaders worried about democratization, the ecological and social costs of development, or the conditions of workers and peasants. Indeed, a fundamentally different alternative would have to involve democratization of the state and the economy. It would also presuppose some solution to the debt bondage that has gripped much of the world in the 1980s and 1990s (in Latin America, for example). This requires a challenge to the national and international structures of power. It also involves rounding up the usual suspects and informing them that they are no longer needed.

Author's note: I would like to thank Jonathan Nitzan and the editors of Monthly Review *for their comments on the draft of this article.*

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NOTES

1. At the end of the movie, the "usual suspects" were rounded up by the Inspector to divert the attention of the Nazis away from leaders of the Resistance as they escaped from Casablanca.
2. Wider "public" and "private" efforts to construct a consensus that is commensurate with the general geopolitical and economic interests of the world's largest corporations come together in forums such as the Trilateral Commission and the annual World Economic Forum in Davos, Switzerland. On the former, see Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1991).
3. Debt defaults, like that of Russia in 1998, seem increasingly likely, despite the massive IMF-led bailouts. Total exposure of banks that reported to the Bank for International Settlements in 1998, for developing Asia, Latin America, and Eastern Europe, was approximately $800 billion; Russia owed about $140 billion in hard-currency debt; Brazil and China owed approximately $60-70 billion each; Korea nearly $100 billion in bank debt. European banks had much the largest exposure to emerging market debts. More generally, the "identifiable debts at risk in the world [that is, risk of default] could easily total $1 trillion," including $500 billion in Japan and $250 billion in China. Source: Bank Credit Analyst Research Group, Special Report: The Asian Crisis After One Year, Montreal, August 1998, pp. 10, 16-17. Quote on p. 17.
4. See John Zysman, *Governments, Markets, and Growth: Financial Systems and the Politics of Industrial Change* (Ithaca: Cornell University Press, 1993).
5. The renminbi devalued by 50 percent in 1994 and the yen depreciated by 50 percent after mid-1995. See the Bank Credit Analyst Research Group, Special Report: The Asian Crisis After One Year, p. 4.
6. By the mid-1990s, investment spending accounted for an astonishing 40 percent of GDP for the emerging Asian economies and, in 1996, reached 35 percent for Asia as a whole. (The figure for the rest of the world was roughly consistent between 1980 and 1998 at around 24 percent of GDP.) This led to excess capacity, increased competition, and a drop in rates of return, contributing to the buildup of problem loans for the banks in the region. Bank Credit Analyst Research Group, Special Report: The Asian Crisis After One Year, Chart 1, pp. 3-4.
7. For an account that links the problem of overcapacity in East Asia to overcapacity throughout the world, as well as to threats of global deflation and the potential for depression, see William K. Tabb, "The East Asia Financial Crisis," *Monthly Review*, vol. 50, no. 2 (June 1998), pp. 24-38.
8. On some of these issues with special reference to Thailand, South Korea, and Indonesia, as well as an insightful overview of the process as a whole, see Mitchell Bernard, "East Asia's Tumbling Dominoes: Financial Crisis and the Truth about the Regional Miracle," *Socialist Register 1999: Globalization and Democracy*, edited by Colin Lees and Leo Panitch (Merlin Press, 1999). Bernard and McNally (see note 11) stress the importance of the massive ecological damage to the region and its role in forging resistance to neoliberal globalization.
9. See *Financial Times*, December 16, 1998.
10. Sakakibara's paper was presented at the Foreign Correspondents' Club, Tokyo, on January 22, 1999. I am grateful to John Mage for this reference.
11. For an account that stresses the emergence of "An Asian Model of Resistance" linked to massive mobilization of workers, including increasing numbers of women workers, as well as social movements throughout the region, see David McNally, "Globalization on Trial: Crisis and Class Struggle in Asia," *Monthly Review*, vol. 50, no. 4 (September 1998), pp. 1-14.

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THE U.S. ECONOMY IN 1999: GOLDILOCKS MEETS A BIG BAD BEAR?

by FRED MOSELEY

In the last year or two, the U.S. economy has been called the "Goldilocks economy" because it has been rolling along "just right, not too hot and not too cold," with both unemployment and inflation at the lowest levels in thirty years and a booming stock market. *Business Week* has even proclaimed, in a series of prize-winning special issues, that the U.S. economy has entered a "new era" in which rapid technological change (especially information technology) will make it possible for the U.S. economy to continue to achieve both low unemployment and low inflation for the foreseeable future.

Meanwhile, most of the rest of the world is suffering through its worst economic crisis since the Great Depression of the 1930s, with no end in sight. Most of Asia is already in a severe depression, with output declines ranging from 3 percent in Japan and 6 percent in Korea to 15 percent in Indonesia. This worsening depression is having devastating effects on the populations of these countries; unemployment is soaring (real unemployment rates of 25 percent or higher) and there is little or no unemployment insurance. Real wages have declined by 10-30 percent and will almost certainly continue to decline in the next year or two. Tens of millions of people will fall below the poverty line (an estimated forty million in Indonesia alone), wiping out several decades of improved living standards and declines in poverty.

The Russian economy is experiencing almost a complete breakdown. Many workers have not been paid in months or, in some cases, even years. More and more transactions are by barter trade. The

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Russian government has defaulted on part of its foreign debt and is likely to default on most of the rest of it, which means that foreign loans to Russia are not likely to be made again for many years to come.

Furthermore, there is an increasing likelihood that the depression will spread to Latin America, which, in the last few years, was finally starting to grow a little bit after the "lost decade" of the 1980s. (There were really almost two lost decades.) Brazil has been forced by the International Monetary Fund (IMF) to adopt very restrictive fiscal and monetary policies as the condition for a $43 billion loan in December, in a failed attempt to defend its currency. These restrictive policies are certain to land the Brazilian economy in a recession, and perhaps even a depression, which will carry most of the rest of Latin America with it (especially since these countries are also being forced by the global crisis to defend their currencies by means of restrictive policies). For workers, unemployment will rise sharply and real wages will decline sharply, as in Asia. Hence the Asian crisis is no longer just an Asian crisis. It is now a spreading global crisis.

So the urgent question for the moment is: how long can these divergent economic trends, between prosperity in the United States and depression in the rest of the world, continue? Even Alan Greenspan has asked recently: "How long can the U.S. economy remain an island of prosperity in a world of depression?"

Almost all mainstream economists seem to think that the U.S. economy is so strong that it will suffer only slightly from the spreading global economic crisis, and in particular will not suffer a recession. I disagree with this prevailing view. It is very likely that the U.S. economy will suffer more significantly from the spreading global crisis, and will fall into recession within the next year or so. In other words, I think that Goldilocks is about to meet a big bad bear. Such a recession in the United States would have devastating effects on the rest of the world, especially the Asian countries, whose only hope for recovery is increased exports to the booming U.S. market.

In this article, I will examine the various effects of the global crisis on the U.S. economy and will attempt to determine the likelihood of a recession within the next year or so.

Paradoxically, so far the Asian-global crisis has had mostly positive effects on the U.S. economy. In the first place, it has contributed to a lower rate of inflation. The sharp devaluation of the Asian currencies has resulted in cheap imports from Asia (i.e., computers for under $1000, Honda Accords for $16,000, Hyundais for $6,000, cheap consumer electronics). This has reduced the overall rate of inflation. The crisis has also reduced the global demand for oil and other primary materials, leading to a significant decline in the prices of these commodities (e.g., a 30 percent decline in the price of oil, so that gasoline is now under $1.00 a gallon), thereby contributing

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further to a lower overall rate of inflation. In addition, interest rates in the U.S. are lower than they otherwise would be, because of both the lower rate of inflation and a large influx of foreign capital fleeing Asia and seeking a "safe haven" in U.S. Treasury bonds.

However, the negative effects of the global crisis are starting to kick in and are likely to intensify in the months ahead, overwhelming these positive effects. There are three components of aggregate demand through which the global crisis could negatively affect the U.S. economy: net exports, investment spending, and consumer spending. I will examine in turn each of these three components.

Decline of Net Exports

The component of aggregate demand that will suffer immediate and direct impact from the global crisis is net exports (exports minus imports). The most immediate negative effect of the Asian-global crisis on the U.S. economy is a reduction of exports and an increase of imports. Because of the very large devaluation of the Asian currencies, U.S. goods are now relatively much more expensive. Both U.S. exports and U.S. goods are competing with cheaper imports on the domestic market. In addition, the sharp decline in the Asian economies reduces Asian demand for U.S. exports even more. Finally, it is alleged that some Asian producers are "dumping" their goods on the U.S. market (i.e., selling them at a loss, for less than they cost to produce) just to obtain some revenue as their sales in Asia collapse.[1] The loss of export markets, as well as domestic markets, not only reduces aggregate demand in the U.S. economy but also means fewer jobs for U.S. workers and hence a higher rate of unemployment.

So far, U.S. exports to Asia have declined about 20 percent and imports from Asia have increased about 10 percent. Since total U.S. exports is only 12 percent of U.S. Gross Domestic Product (GDP), and the percentage of U.S. exports that goes to Asia (including Japan) is only about 30 percent, this reduction in U.S. net exports (exports minus imports) has had only a small negative effect on the rate of growth in the U.S. economy (less than 1 percent). Many economists have concluded that the worst of the Asian crisis is over (i.e., that these economies have "bottomed out" and will start to recover next year) and hence that the negative effects on U.S. exports and imports should not worsen further in the year ahead. If this prevailing view is correct, then this small negative effect should not be enough to cause a recession in the United States.

However, I doubt very much that the Asian crisis is over. Rather, I think that this crisis is still in its early stages, with much more, and the worst, to come. The main reason for this hypothesis is that many (perhaps most) capitalist enterprises in Asia today (including in Japan) are technically bankrupt. They are losing money (revenue is

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less than costs) and they are unable to meet their current debt obligations. Joseph Stiglitz, chief economist for the World Bank, was recently quoted in the *New York Times* as saying: "In Indonesia, 75 percent of the firms are bankrupt. How can you run an economy when 75 percent of its firms are bankrupt?" The short answer is: you can't. Similarly, estimates for Korea show that "cash flow" (profits plus depreciation) for the corporate business sector as a whole is *less than* the current interest payments due.[2] In other words, depreciation charges are being used to help make interest payments, and even this is not enough. The negative gap between cash flow and interest payments in Japan's corporate sector is probably similar to Korea's, and perhaps even worse. As these economies continue to decline in 1999, the bankruptcy of business firms is likely to increase still further.[3]

The high incidence of bankruptcy in Asian economies today is due in part to an important characteristic of Asian-style capitalism: capitalist enterprises in Asia rely much more heavily than their Western counterparts on borrowed funds (mostly from banks) to finance their investment. Typical debt-equity ratios in Asia are 300-400 percent, whereas in the United States and Europe a debt-equity ratio of 100 percent is considered to be dangerously high. This high-debt style of capitalism helped make possible the very high rates of growth in the Asian economies for several decades, but has also made these economies much more vulnerable to any downturn in the economy. With the sharp declines in these economies over the last year or so, the sales revenue of most firms has also declined sharply. In addition, interest rates were raised sharply to try to stop the outflow of capital, and this added greatly to the debt burden of firms. As a result, many firms are now suffering losses and are unable to meet their current debt obligations. In the United States, such a situation would usually result in the creditors forcing the insolvent firms into bankruptcy. Insolvent firms would be shut down and their assets auctioned off so that creditors could recover at least part of their loans.[4]

So far in Asia, however, many insolvent firms have been allowed to continue to operate. Many small and medium-sized firms have been forced into bankruptcy, but most larger firms have been allowed to continue to operate and even extended new loans by their creditors (the banks), often at the urging of national governments. In some cases, the Asian governments themselves have loaned money directly to firms—mostly very large firms who are considered "too big to fail" because of the deeper depression and higher unemployment that would ensue. The banks have been willing not to force the bankruptcy of these firms because they would probably be able to recover only a small fraction of their original investment, which would show how little the loans on their books are actually worth. Indeed, the acknow-

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ledgment of the full extent of these losses would cause many of the banks themselves to fail, because their losses would be greater than their net worth.

However, these bank and government bailouts of bankrupt firms do not solve the fundamental problems of declining incomes, insufficient profits, and heavy debts. Eventually, most insolvent firms will have to be forced into actual bankruptcy. That is the perverse way that capitalism works. Bankruptcies of some firms are the means through which the rate of profit is increased in surviving firms. This creates the conditions for an eventual economic recovery. However, in the short run, bankruptcies would also, of course, cause a deeper depression.

Large losses for Asian banks, caused by bankruptcies, would worsen the already severe banking crisis in these countries. Many banks would themselves go bankrupt, resulting in a further contraction of the economy.

In Asia, the most important economy by far is Japan's, which accounts for roughly 60 percent of Asia's GDP. The banking crisis in Japan is worse than in other countries, because Japan's banks have been the most important lenders to the rest of Asia in recent decades. So Japan's banks are now suffering losses, not only from defaults by Japanese firms, but also by borrowers in these other countries. It is estimated that Japanese banks have at least $1 trillion of "non-performing" loans (about 25 percent of GDP). As a result, most banks have essentially stopped lending, creating a very severe "credit crunch." The Japanese economy declined almost 3 percent in 1998, and very likely will decline at least that much, probably more, in 1999. This deepening depression in the world's second largest economy is bound to have very strong negative effects around the world, especially in the rest of Asia and also in the United States. In sum, I think that the Asian crisis is far from over,[5] and that further significant declines in these economies, and hence in the demand for U.S. exports, are to be expected.

Furthermore, many Latin American countries, led by Brazil, are also falling into recession, which will further reduce the demand for U.S. exports. Even Europe will suffer at least a slowdown of growth; England appears already to be falling into recession. In a declining world economy, it seems likely that U.S. exports will decrease another 10-20 percent next year. The U.S. balance of trade deficit increased in 1998 from around $100 billion to roughly $150 billion. It will increase even further next year, perhaps to $300 billion or more. The negative effect of this further decline in exports might not by itself be enough to push the U.S. economy into recession, but it would certainly reduce the rate of growth to at most 1-2 percent, down from 4 percent in the last few years.

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Decline of Business Investment

Another possible negative effect of the global crisis on the U.S. economy is a reduction of business investment. Investment spending has already declined slightly in the third quarter of 1998, after several years of strong investment (with average increases of about 10 percent a year). This sharp slowdown of investment is due primarily to stagnant or declining profits.[6] Other causes of the slowdown include a declining capacity utilization rate (i.e., the percentage of existing production facilities that are currently being utilized) and declining expectations of future demand. If there is a further decline of investment in the months ahead, due to the global crisis (which seems likely), this reduction would bring the U.S. economy closer to the brink of recession, if not over the brink.

There is another danger that might lead to an even greater decline of investment spending: a "credit crunch," in which lenders refuse to lend to firms or are willing to lend only at much higher interest rates. Traditional credit crunches have happened through banks who, in times of recession or impending recession, tighten their eligibility requirements and reduce their lending activities. This does not seem to be much of a danger in the U.S. economy right now. However, that could quickly change if U.S. banks suffered significant losses in the months ahead, as a result of the spreading global crisis. Banks would suffer as a result of loans to "emerging market" countries,[7] or loans to "hedge funds" with risk exposure to these countries, or their own "derivative" contracts related to these countries. ("Derivatives" is a general catch-all term for many different types of investment instruments developed by banks over the last decade or so. Many derivatives ultimately involve a loan to one of the "emerging market" countries, and hence are subject to a higher risk of default as well as a risk of currency devaluation.)[8]

In addition, in recent months a new type of credit crunch has appeared and threatens to be more severe: a credit crunch in the *bond markets*, in which investors are no longer willing to buy corporate bonds (except the highest grade), or are willing to do so only if these bonds offer a significantly higher interest rate (i.e., only if these bonds offer a higher "risk premium"). Investors have been spooked by the Russian defaults and the near-bankruptcy of Long-Term Capital Management. As a result, there has been a flight from risk to safety (i.e., from corporate bonds to U.S. Treasury bonds). It was this new kind of credit crunch that Greenspan was especially worried about when he engineered the "triple play" reduction of interest rates in October. The panic of the late Summer and early Fall has subsided somewhat in recent weeks, so it looks like the Fed's actions to reassure investors that it has both hands on the wheel of the economy and will not let

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it veer out of control have been successful so far.[9] However, these fears no doubt remain just below the surface and would very likely re-emerge in full force in the event of the next unexpected nasty surprise in the world economy—e.g., further defaults by Russia, capital flight and currency crisis in Brazil, a deepening depression in Japan, intensified class conflict in South Korea or Brazil or elsewhere, or a devaluation of the Chinese renminbi or even the U.S. dollar. If a severe credit crunch were to develop, investment spending would decline sharply (since businesses would be less, or no longer, able to borrow funds for the purpose of investment). Such a sharp decline of investment due to a credit crunch would almost certainly land the U.S. economy in a recession.

Consumer Spending Spree: How Much Longer Can It Last?

The only component of aggregate demand in the U.S. economy that continues to increase at the present time is consumer spending. U.S. households are on an all-out spending spree. The percentage of after-tax income that U.S. households spend (as opposed to save) has always been higher than most other countries—around 94 percent (compared to 80 percent in Japan and 85 percent in Germany). But in recent years, the U.S. spending rate has increased even further, and in the last few months has even exceeded 100 percent! That's right: U.S. households are spending more than their after-tax income (i.e., the U.S. saving rate is negative). Normally, a country with such a low saving rate would have a correspondingly low rate of capital investment, since household savings are one of the main sources of funds for business investment. However, the U.S. economy in recent years has been able to maintain a high rate of investment, in spite of a very low savings rate, because of a very large flow of foreign capital into the United States during this period. In other words, the rest of the world has been willing to provide the savings necessary to maintain investment in the United States, thereby enabling the United States to eat its cake (consumption) and have it, too (investment).[10]

The main factor propelling consumer spending forward in recent years has been the booming U.S. stock market. Stock prices have increased roughly 50 percent over the last two years, and have increased 150 percent since 1993. This very rapid increase of stock prices has greatly increased the wealth of U.S. households, especially the small minority of households that own most of the corporate stock.[11] This increasing wealth from the stock market has had a strong positive effect (called the "wealth effect") on consumer spending—on the consumer spending of the top 10 percent, that is, who have enjoyed this windfall. These households evidently feel that their increasing stock market wealth provides all the saving for the future that they need, and hence they do not have to save any of their current

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income. Instead, they can spend all of their current income, and more! Thus we can see that the main force moving the U.S. economy forward—keeping the U.S. economy from a recession—at the present time is the booming U.S. stock market which is fueling consumer spending. But how much longer can this consumer spending spree last? In order for it to continue, the stock market must not only maintain its current high levels, but also must continue to increase rapidly as in recent years. However, fears about the global crisis have already caused a 15 percent decline in stock prices in August and September. Since then, the stock market has recovered this lost ground (due in large part to the expansionary monetary policy of the Fed), but it seems unlikely that it will rise much further in 1999. The current average price-earnings ratio of U.S. stocks (the ratio of the price of stocks to current profits) is already at unprecedented high levels of around twenty-five to one; the long-run historical average is about fifteen to one. By this historical measure, stock prices are currently overvalued by 67 percent (the recent recovery in the stock market is now being called "Greenspan's bubble" by some people). This large overvaluation suggests by itself that stock prices are not likely to go much higher in the year ahead. If prices do not continue to increase, then the positive wealth effect on consumer spending would disappear.

Furthermore, these very high stock prices are based on extremely optimistic expectations about the future profits of corporations. For example, the consensus forecast of securities analysts seems to be a 17 percent (!) increase in corporate profits this year and a 13.5 percent increase in 2000.[12] However, in the aggregate, corporate profits increased only 5 percent in 1998 and, with a slowing economy next year, are likely to increase even less and perhaps even decline. Therefore, these very optimistic profit expectations are almost certain to be disappointed. This disappointment is likely to cause a sell-off of stocks and hence a decline in stock prices. Greenspan said back in July: "We know from history that a stock market correction is likely. What we cannot say is when." I think the "when" will be 1999. Such a stock market decline would result in a further reduction of consumer spending, as the wealth effect goes into reverse.

Hence, the key support of the U.S. economy at the present time—strong consumer spending fueled mainly by increasing stock market wealth—is likely to be removed in the year ahead. At best (with a stagnant but not declining stock market), the increase of consumer spending is likely to slow down, thus becoming another factor slowing down the U.S. economy and pushing it toward recession. At worst (with a declining stock market), consumer spending is likely to decline, which would definitely push the U.S. economy into recession.

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Conclusion: The Big Bad Bear?

I conclude that it is very likely that the U.S. economy will fall into a recession within the next year or so. It is possible, although not very likely, that the U.S. economy will only slow down. If everything in the world goes just right—if the Asian and Latin American economies start to recover (Japan and Brazil in particular); if no other nasty surprise happens somewhere in the world economy; if a credit crunch is avoided in U.S. banks and U.S. bond markets; if the U.S. stock market continues to increase, despite all historical precedents and actual profits; if U.S. households continue to spend more than they earn—then perhaps the U.S. economy will only slow down and will escape a recession. However, if just one or two of these requirements are not satisfied (which seems to me to be a high probability—e.g., lack of recovery in Japan and/or Brazil), then it is very likely that the global crisis will come home. Goldilocks will meet the big bad bear.

If a recession does occur in the U.S. economy, there is a danger that it will be a bad one. In the event of a recession, consumer spending is likely to decline sharply. As discussed above, households are stretched to the limit of their spending capacity and beyond, and this spending spree has been fueled mainly by the booming stock market. However, a recession would surely bring the stock market boom to a halt and would probably cause a significant decline in the stock market. As discussed above, such a decline would almost certainly lead to a sharp reduction of consumer spending. Households would not only have to finance their savings out of their current income, they would also need to replenish their lost savings in the stock market by saving even more out of current income. The saving rate of U.S. households could increase suddenly from zero percent to 6 percent (its long-run historical average) or more, further reducing consumer spending and pushing the economy even deeper into recession. In addition, U.S. households are also very heavily in debt (household debt is now approximately 100 percent of after-tax income, an all-time record). A recession would mean a loss of jobs and income for many of these heavily-indebted households, who would then have to scale back their spending drastically in order to avoid personal bankruptcy.

If a recession were to occur in the U.S. economy over the next year or two, it would have a devastating effect on the rest of the world economy, especially Asia and Latin America. The main hope in these countries for recovery from their current depression is to increase their exports to the "booming" U.S. market. An earlier hope was to increase their exports to Japan, but that hope has evaporated as Japan has fallen into its own depression. If the U.S. economy falls into recession, then U.S. demand for Asian exports would decrease. Without the United States, these economies would likely remain in a

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serious depression for years to come. If the global depression continues, this would continue to drag down the U.S. economy.

Could expansionary monetary policy save the U.S. economy from recession (and the world economy from a deepening depression)? If such a recession in the United States were to threaten, it is almost certain that the Fed would adopt an aggressively expansionary monetary policy, as it did last Fall, in order to lower interest rates and thus stop the slide of the economy into recession. Almost all mainstream economists seem to think that such expansionary monetary policy would be successful, i.e., would enable the U.S. economy to avoid a recession. This confidence in the Fed's powers, already very high, was bolstered further by the recent success of expansionary monetary policy in calming fears, alleviating a credit crunch, and generating the stock market recovery. However, this success came at a time when the U.S. economy was still growing briskly due to strong consumer spending. If the U.S. economy were instead slowing down and threatening to fall into recession (due to the combined effects of declines in net exports and investment spending, which would reduce household incomes and hence consumer spending), would expansionary monetary policy be successful in these more difficult circumstances?

In particular, would expansionary monetary policy be able to avoid a credit crunch in the bond markets and the resulting collapse of investment spending? The Fed has more control over the ability and willingness of banks to increase lending than it does over investors in the bond markets. It remains to be seen whether the Fed's traditional policy tools will be successful in the bond markets under conditions of a declining economy.

Furthermore, would expansionary monetary policy be able to rally the stock market again, if the economy were slowing down and profits falling? Success would be less likely under these circumstances because of the already very high valuations of stocks at the present time. If profits are falling as a result of a declining economy, then either price-earnings ratios will rise even higher (above today's very high levels) or stock prices will have to fall along with profits. At some point, it seems likely that the stock market bubble will burst, and there will be very little the Fed can do about it.

The ability of expansionary monetary policy to avoid recessions and depressions is a long-standing debate in macroeconomics. Keynes argued in the 1930s that expansionary monetary policy is often unsuccessful in conditions of recession or depression; often it is not enough to persuade lenders to lend and businesses to invest in a deteriorating economy with increasing risks. In Japan, expansionary monetary policy has been applied relentlessly in the 1990s (so much so that interest rates at one point fell below 1 percent!), but has clearly failed to overcome the severe credit crunch or revive investment

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spending. Expansionary monetary policy has also so far not been able to stop the slide of the U.K.'s economy into recession. It appears that we will soon witness a historic and very important empirical test of the effectiveness of expansionary monetary policy in the United States to save its economy from recessions and depressions.

If expansionary monetary policy were to fail in the coming months in the U.S. economy, then the other main government policy option that could be used to try to avoid a recession is expansionary *fiscal* policy (increase government spending and/or reduce taxes). However, expansionary fiscal policy takes months to legislate and more months to implement and still more months to take effect on the economy. Therefore, if expansionary fiscal policy is to have a chance to help the U.S. economy avoid a recession, it should be proposed and legislated as soon as possible. However, no one in Washington is talking about expansionary fiscal policy these days. It is not seen as necessary to avoid a recession and, furthermore, it would result in a budget deficit, which runs counter to the main goal of fiscal policy in the United States at the present time, which is a balanced budget. Therefore, expansionary fiscal policy is not likely to save the U.S. economy from a recession in 1999.

If the U.S. economy were indeed to slide into a severe recession, and most of the rest of the world economy into a deepening depression, then this worsening crisis of global capitalism would inflict great suffering—loss of jobs, lower incomes, greater hunger and poverty, and greater anxiety and desperation—on the world's population, especially in Asia and Latin America. How would workers, around the world and in the United States, respond to this widespread and increasing misery? David McNally has recently described in these pages the increasing militancy and organizational strength of workers in Asia, and their recent struggles about lay-offs and wage-cuts.[13] In the coming year, workers all over the world are likely to face a similar and very difficult choice, between passively accepting unemployment and lower wages or actively resisting these outcomes and striving to defend their economic livelihood. It is possible that, as economic conditions deteriorate, these struggles by workers (to survive within capitalism in crisis) will lead more and more of them to call into question capitalism itself, and its ability to meet their basic economic needs. If capitalism requires these attacks on our economic livelihood, then perhaps there is an alternative economic system that does not require such attacks and could instead better provide for our needs.

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NOTES

1. The main example so far is the steel industry. Imports of steel have increased 50 percent in the last year. U.S. producers are having to shut down plants and lay off workers and are demanding government protection against "unfair foreign competition."
2. Cho, Dougchal, "A Year after the Korean Economic Crisis: What Next?" Presented at the Allied Social Sciences Association annual convention, January 1999.
3. William Tabb has recently emphasized in these pages this crucial aspect of the Asian economic crisis. See "The East Asian Financial Crisis," *Monthly Review*, vol. 50, no. 2 (June 1998), pp. 24-38.
4. The killer blow for many firms with foreign debts denominated in dollars was the 50 percent devaluation of the Asian currencies, which doubled the debt burden of these firms.
5. Jan Kregel comes to the same conclusion for essentially the same reason. See "Yes 'It' Did Happen Again—A Minsky Crisis Happened in Asia," The Jerome Levy Economics Institute, Working Paper No. 234.
6. The rate of profit in the United States declined approximately 50 percent through the mid-1970s and since then has recovered only about one-third of this decline, so that the rate of profit today remains 30-35 percent below its postwar peaks. See Fred Moseley, *The Falling Rate of Profit in the Postwar United States Economy* (New York: St. Martin's Press, 1992) and, also by Moseley, "The Rate of Profit and the Future of Capitalism," *Review of Radical Political Economics*, vol. 29, no. 4 (Fall): p. 23-41.
7. The best-known example is the Long Term Capital Management "hedge fund" that borrowed over $100 billion from major banks in the United States and elsewhere, in order to speculate on future bonds prices around the world. It narrowly escaped bankruptcy, thanks to the intervention of the Fed. LTCM essentially bet that there would be no severe crisis that would disrupt normal spreads between different kinds of bonds, and they lost big after Russia defaulted and the crisis intensified.
8. See Kregel ("Derivatives and Global Capital Flows: Applications to Asia," The Jerome Levy Economics Institute, Working Paper No. 246) for an excellent discussion of derivatives. He argues that one of the main purposes of the development of derivatives was to get around restrictions on pension funds and other institutional investors that limited their ability to invest in "emerging markets."
9. Although the interest rate "spreads" between U.S. Treasury bonds and most grades of corporate bonds still remain several percentage points greater than normal, which indicates continued reluctance to lend to corporations.
10. See Moseley, "The U.S. Economy at the Turn of the Century: Entering a New Era of Prosperity?" (in *Capital and Class*, forthcoming) for a further discussion of the important role of the inflows of foreign capital in supporting the relative prosperity of the U.S. economy since the mid-1980s and especially since 1995.
11. In 1983, the last year for which there has been an official government study, the richest 10 percent of households owned 89 percent of the privately-owned corporate stock; the richest 1 percent owned 62 percent; and the richest ½ percent owned 47 percent. This highly concentrated ownership of corporate stock has decreased somewhat in the 1990s, but probably not that much. See the Joint Economic Committee of the U.S. Congress, "The Concentration of Wealth in the United States: Trends in the Distribution of Wealth Among American Families," 1986.
12. Wolf, Martin, "The Equity Puzzle," *Financial Times*, December 15, 1998, p. 15.
13. McNally, David, "Globalization on Trial: Crisis and Class Struggle in East Asia," *Monthly Review*, vol. 50, no. 4 (September 1998), pp. 1-14.

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NO MAS CANOSA

by SAUL LANDAU

For forty years, U.S. national security apparatchiks have tried to exact imperial revenge against Fidel Castro, the man who should hold the Guinness record for disobedience. From almost the day Fidel Castro led his triumphant *rebeldes* into Havana in January 1959, the U.S. government has employed routine terrorism against the Cuban revolution; in addition, the United States has tried to embargo Cuba to death and strangle it by any means, short of full-scale U.S. military invasion. One Cuban exile took advantage of this climate, and the space the government created for anti-Castro mischief, to mount a prolonged campaign of naked terror, and astute political manipulation of the highest levels of the U.S. government. His aim was to replace Castro as president of Cuba and substitute capitalism for socialism on the island.

I read the news, on November 23, 1997, that Jorge Mas Canosa had died. Mas emerged as a modern Horatio Alger, who learned how to acquire power and wealth in a uniquely American way. He was one of the few men clever enough to combine the tactics of a Ku Klux Klan good old boy with the pragmatic lobbying techniques of the America-Israel Public Affairs Committee's (AIPAC), thereby grabbing national prominence and dictating U.S. policy toward Cuba.

Mas's formula amounted to a one-two combination in the U.S. political ring. By getting himself or his cronies appointed or elected to local water, sewer, utility, road and electoral commissions—much as the Klan did in the South until the late 1960s—Mas and his Cuban American National Foundation (CANF), and its various political and business spinoffs, built an empire. Mas could award contracts and jobs, do favors and act like an old-style political ward boss. This Godfather-like role made him into a local, and then national, per-

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sona—a business-political superstar. Thousands of Cuban exiles owed him for bringing in their relatives, resettling them, getting them jobs, apartments, or loans. Thousands more had at least a vicarious investment in this *hombre fuerte* who knew how to work the American system.

By the 1980s, Mas had achieved national recognition. He had learned how to intimidate and buy strategically placed members of Congress, and even presidents, on Cuba policy. He put large donations into their campaign coffers and then used them for policy decisions, photo ops, and promotional quotes. For twenty years, Mas exercised a singular influence over U.S.-Cuba policy, and he let everyone know about it (and then some). Indeed, he learned how to step forth and boldly take credit even when none was due him.

Mas was the son of a Batista army veterinarian, and his life became a modern American "success" story. In 1956, he became president of the Free Mason Youth (Asosiacion Jovenes Esperanaza de la Fraternidad), which he quit just months after the revolution triumphed. In January 1959, he joined a right wing Catholic group.[1] The revolutionary tribunals that investigated offenses by the Batista regime acquitted Mas's father, an officer, of any wrongdoing. Mas, however, got caught for counterrevolutionary plotting with his Catholic group. He escaped from Cuba in July 1960 by using a false identity.

When he arrived in Miami, Mas, like most of the young exile men, saw U.S.-backed violence as the only means available for the overthrow of the revolutionary government. He later modified, but never abandoned, this methodology. The young Mas joined the CIA's Bay of Pigs invasion expedition, but never set foot on the island. The CIA assigned him to a decoy ship.

After the April 1961 Bay of Pigs fiasco, Mas turned to radio, doing biweekly anti-Castro broadcasts into Cuba over the CIA's Radio SWAN. He married Irma, his high school sweetheart. To earn his living he began delivering milk; subsequently he sold shoes in Miami's Little Havana.

In 1963, the CIA offered a select group of Bay of Pigs veterans a chance to enroll in an intelligence training course at Fort Benning, Georgia. Mas met two Cuban exiles there, Felix Rodriguez and Luis Posada Carrilles, who became his lifetime buddies after undergoing this special training with him. Like other Bay of Pigs veterans selected as "special cases," Mas received a commission as second lieutenant, but—like many of his compatriots—quit the army when he discovered that the U.S. government had no immediate plans to invade Cuba.[2]

Mas Terror

Following his 1963 Fort Benning experience, Mas met Jose "Pepin" Bosch, kingpin of the Bacardi rum family, and abandoned his shoe-salesman career in Little Havana. How does a former shoe salesman

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with little record of accomplishment get into millionaire Bosch's league? Did the CIA suggest that Bosch back Mas, yet another among many Cuban exiles plotting terrorist raids against Cuba, as a leader of RECE (Representacion Cubana en el Exilio)? Former House Assassinations Committee investigator Gaeton Fonzi says that the CIA, not Bosch, financed RECE. Fonzi cites an FBI document that has Mas delivering $5,000 to Luis Posada, then a CIA contract agent, to blow up a Soviet or Cuban ship docked in Veracruz, Mexico.[3]

Pepin Bosch ostensibly signed the $10,000 monthly checks to start and maintain RECE, and hand-picked Mas and other RECE leaders. But how would the businessman know who would make the most appropriate directors of an exile group that had violence as a mission?

During the late 1960s, Mas claimed participation in several terrorist operations, including a machine-gun strafing of a Havana residential area. Mas also tried to retrofit some Second World War vintage B-26s to bomb Cuban oil refineries. He even got involved with plans to send missile-carrying speed boats near the Cuban coast to fire at "strategic" targets. These missions didn't materialize—or failed to meet their objectives.

Mas continued to support commando tactics well into the 1970s. An FBI agent who monitored anti-Castro operations in the 1960s confirmed that "it would have been difficult to mount terrorist operations without CIA help." Still, veterans from Miami's terrorist wars found that Mas's oral zeal far exceeded his penchant for direct action in the 1960s. Others say he was just another "prize bullshitter."[4]

Mas Money

Mas maintained his terrorist associations, but simultaneously courted the advice of Pepin Bosch and his Agency contacts. They opened business doors for what turned out to be a lucrative career. In 1968, Vicente Rubiera, one of the RECE Board members, arranged for Mas to meet two like-minded exiles, Senores Iglesias (Church) and Torres (Towers), who named their Puerto Rico-based construction business after themselves. The two had worked for ITT before setting up their own construction business.[5]

Mas became Miami branch manager for Iglesias y Torres. Through his connections among militant Cuban exiles and Miami businessmen, Mas met E.B. McKinney, Southern Bell's general manager for south Florida. This began a business relationship that would continue for decades and earn Mas millions.

In September 1969, Mas renamed the company Church and Tower. He bought the business in 1971 for a mere $50,000. The two original business partners disappeared from the scene. The money came from an account (which was not in Mas's name) at Republic National Bank. In 1994, Mas formed MasTec and offered stock in the new company.

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His own share of the company when he died was estimated at more than half a billion dollars.[7] Mas went on to have several offshore accounts in countries such as Panama. A year after the purchase of Church and Tower, he signed a contract, worth $1 million, to lay cable for Southern Bell. Mas later formed several other companies.[6]

By 1970, Mas Canosa had begun to develop name recognition. Some knew him as the man who edited the RECE newsletter. But Mas had good coaches who taught him how to make it on the American scene. He began to get himself and his cronies on boards and commissions, through which he made business friends, and awarded or won contracts. He also grew wealthy.

Weighing Public Relations Against Violence

Mas's new advisers convinced him that wealthy people in America had developed tried and true methods to persuade local and national public officials to respond favorably to their political initiatives. Flatter them, endorse them, hint at intimidation and, most important, buy them: this is the best road to political power.

But he faced several obstacles on his road to political heights. By the early 1970s, a number of Cuban exiles in the U.S.-based anti-Castro movement began to feel frustrated. On one hand, the U.S. government that had once promised definitive action had done little to make Castro uncomfortable since Kennedy's death in 1963. Yes, the embargo existed, but Soviet aid seriously undermined its effects on Cuba. Lyndon Johnson supplied properly militant rhetoric, but authorized no plans to invade the island or even to establish a serious terrorist war against the Castro regime.

Until the 1959 Cuban Revolution, U.S. presidents had never permitted cases of blatant disobedience to go unpunished. But Johnson and Nixon had suffered through a decade of painful humiliation in Vietnam. And neither had much appetite to take on Cuba.

Like their ideological counterparts on the far right, the militant anti-Castro exiles saw the Soviet cause triumphing in third-world countries—especially in Africa, after the fall of the Portuguese dictatorship. Most galling to them, Cuba played a blatant role in helping these fledgling Marxist-nationalist governments to assume and keep power. In addition, Castro appeared to have circumvented Washington's campaign to isolate him. In the early 1970s, Barbados and Trinidad-Tobago had opened air and commercial relations with Cuba.

In 1972, in response to frustration and lack of U.S. government initiative, a group of exiles (with the U.S. government's approval) undertook a series of desperate operations. They used a large commercial vessel provided by the Babun family (owner of sugar mills in Florida and confiscated property in Cuba) to shield rapid speed-

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boats that raced to the Cuban coastline, fired missiles or machine guns at supposedly strategic targets, and then fled back to the protection of the mother ship in international waters. Mas Canosa danced gingerly on the periphery of these actions, but always claimed some credit for them.

As terrorism against Cuba escalated, to little avail, parallel violence arose inside the exile community. The frustration that militant exiles felt over the U.S. government's relative inaction was compounded by the so-called anti-Castro leaders empty terrorist rhetoric.

In April 1974, a small group composed mainly of members of the Cuban Nationalist Movement (CNM), a Falangist offshoot, calling themselves ZERO, took credit for the murder of exile leader Jose Elias de la Torriente. Orlando Bosch, a psychotic Cuban pediatrician to whom Mas Canosa always remained loyal, fled Miami after police implicated him in the hit. Bosch, who later proudly claimed credit for the 1976 bombing of a Cubana airliner, stated that "Torriente's death benefitted the Cuban exile community."

Mas, beginning to understand public relations outside of the narrow Cuban community in Florida, lifted his "indignant voice in protest over such a fearful act."[8]

But Mas was closer to the CNM than he let on. According to the FBI, in 1970 the CNM bombed the Fifth Avenue Cinema, where my film, *Fidel*, was to open. In 1973, they bombed the Center for Cuban Studies in New York, almost killing its director. Other exile leaders went down in 1974. Arturo Rodriguez Vives was assassinated in April in New York. In May, assassins eliminated Christian Democrat leader Ernesto Rodrigues for "being too soft on Castro." In August 1974, Hector Diaz Umonte, the secretary of the Organization of Nationalist Cuban Movement, was strangled in Union City, New Jersey.

Mas Power

These guys were small potatoes, however. Known in Cuba as The Tiger of Oriente, Rolando Masferrer had run an army of thugs in eastern Cuba, until Batista fell in January 1959. Then, he and his fellow brutes fled to the welcoming arms of the U.S. government—but not before transferring his money.

In Miami, under the pretext of running terrorist missions against Castro, Masferrer ran rackets, just as he had done in Cuba. The Tiger excoriated Mas and other potential rivals in his Spanish-language newspaper.

In late October 1975, Masferrer's bodyguards dragged Ignacio Novo, a CNM heavy, from under Masferrer's car and, according to an FBI agent, "put his head in the toilet for a couple of hours to find out what he was doing there." A few days later, Masferrer's car exploded. The Tiger was dead.

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FBI agents suspected Mas Canosa in the Masferrer bombing, but lacked sufficient evidence to charge him. Who benefitted, a former agent asked, from Masferrer's disappearance more than Mas Canosa? With The Tiger out of his way, Mas could begin his rise to pre-eminence in the exile community, as the man who finally led an effective campaign against Castro.

After fifteen years in exile, Mas had begun to realize that terrorism alone could not bring down the Cuban revolution—although violence always remained axiomatic to his thinking. Mas cautiously began to develop a two-pronged strategy for exile politics. Prestigious men in Miami still had their *cojones* invested in terrorism, which meant that Mas had to move cautiously, lest he alienate himself from the super-militants.

The assassins had killed their own former associates. But they had proved singularly ineffective in their attempts to get the real target. In July 1975, Senator George McGovern (D-SD) disclosed that the CIA had made at least twenty-four assassination attempts on Castro. In August, members of eleven exile groups held a press conference at Washington's Dupont Plaza Hotel, to take credit for the attempts. Mas, representing RECE, stood with the other heavies and boasted proudly of his own role in attempting to kill Castro on numerous occasions.[9]

In 1978, three years later, a reporter with the Miami Herald questioned him on the use of violence. Mas replied "Am I non-violent? No, I am pro-violence." But anti-Castro exiles, he explained, could also use the U.S. political system, avail themselves of political power, and accumulate resources to wage a two-front war against the Cuban revolution. "We had to stop the commando raids and concentrate on influencing public opinion and governments," he declared.[10] "We can defeat a Communist tyranny in our sphere of influence without shooting one bullet," Mas boasted years later. "If our people had had this knowledge of how the American system works in 1961, the Bay of Pigs would never have failed."[11]

But exile-initiated violence against Cuba proceeded apace in the mid- and late 1970s. The internecine wars to control exile militancy also continued. In the late 1970s, CNM gunmen hit Eulalio Negrin in Union City, New Jersey. Negin had entered a group of exiles holding a dialogue with Castro—and then bragged about it. On September 21, 1976, CNM thugs working for Chilean dictator Augusto Pinochet's secret police assassinated Orlando Letelier in Washington, DC. Ronni Moffitt also died in the bombing. In 1978, CNM assassins slew a low-ranking Cuban UN diplomat in New York and narrowly missed blowing up Cuba's UN Ambassador as well.

For Mas Canosa, this wave of murders also meant that most of his rivals for leadership inside the Cuban exile community had fallen. By

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this time, the multi-millionaire Mas had become a prominent player in Miami, Dade County, and, indeed, in Florida politics. As he developed a public profile, he eschewed the language of violence, and simultaneously began to build political bridges, mostly to the Republican heavyweights, but to some strategically placed Democrats as well. The November 1980 elections were like God's blessing for Mas.

Public Relations & Reagan

Within weeks after Ronald Reagan took office, Mas met with sympathetic National Security Adviser Richard Allen, who advised him to learn how to lobby from AIPAC. The Reaganites, ever anxious to privatize, found in Mas a man ideologically congenial and, more importantly, willing to "buy" the Cuba piece of U.S. foreign policy. How wonderful to have an outside group, able to influence members of Congress, demanding policies that coincided with the Reagan "revolution"—which called for a war against all communists, including Castro.

CANF Is Born

Shortly after their meeting with Allen, Mas and company announced the birth of the Cuban American National Foundation (CANF). Lawyers quickly secured tax-exemption for the new entity and built alongside it a political action committee (PAC), to place money strategically, as well as an "educational" (read: lobbying) arm to round out its functions.

Under Allen's guidance, Mas and his cohorts met with AIPAC organizers who, Allen had assured them, were the most effective privatized policy gang in the country. The Israeli lobbyists, masters of congressional intimidation and payoffs, mentored the untutored Cuban, showing him how to pick his congressional targets well. They taught him to pick those who needed money, publicity, or the removal of a threatening opponent in the upcoming election from the slate.

But what was their legislative agenda? Jorge Mas recalled those heady days in the early 1960s when he broadcast anti-Castro messages into Cuba over CIA Radio SWAN. Why not do it again? Cuban exiles could control a radio station that would beam anti-Castro propaganda into Cuba, and U.S. taxpayers would foot the bill. The idea evolved quickly under the Reagan administration's ideological guidelines, which became the sine qua non for policy-making.

By the early 1980s, Mas felt like a veteran lobbyist. In 1974, by using the logic of about $50,000 in campaign contributions, he had helped convince Senator Richard Stone (D-FL), to become a point man for anti-Castro resolutions and, eventually, legislation. Stone saw no liability in following Mas's anti-Castro wishes, since few of his constituents objected to anti-Castro resolutions in the U.S. Senate.

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When Stone lost in 1980, Mas Canosa promptly switched his large contribution to the campaign coffers of newly elected Republican Senator Paula Hawkins (R-FL) who, in turn, obediently introduced the Radio Marti bill. When he first read the proposed legislation, Connecticut Senator Chris Dodd (D-CT) called it "baloney."

Imagine Congress funding a radio station that broadcast news, music and other shows to Cuba when the Voice of America (and commercial Florida radio) already reached radio receivers throughout the island, giving them news, music, comedy, commercials and even militant anti-Castro propaganda.

State Department officials worried that, should Radio Marti go forward, Fidel would cancel a planned prisoner release and an immigration accord that they had painstakingly reached over the course of years.

Legal scholars argued that such transmission violated international rules, U.S. allies pleaded that such a move would set a bad precedent, and some Latin American diplomats even said the dreaded "i" word (imperialism) in public, all to no avail. Jorge Mas Canosa paid the right Senators and House members, successfully hawked the media, and threatened weak political links—should they not vote his way.

With the first transmission into Cuba in 1982, over Castro's angry objections, Mas toasted his own success. In 1985, he began to use his post as chairman of the president's Advisory Board on Cuba Broadcasting to dictate radio policy.

For Mas, Radio Marti was an instrument in a war, with himself as commanding general of propaganda. Like a military commander, he showed little interest in notions of either free speech (in terms of what went on the air) or fairness (in personnel policies). Those who dissented from his dictates received punishment, including firing. Despite public airings of grievances at Radio Marti, Mas prevailed and endured on the Marti board for more than nine years.

Mas loyalists at Radio Marti spied on staff members they thought disloyal to the Chairman. For more than a decade, Mas's views went out over the air and into Cuba. His name was mentioned more than any other Cuban. Mas accused those who questioned the propriety of his tactics of harboring communist sympathies.

Mas collided not only with ideological enemies, but with anyone who challenged him. This included Armando Valladares, a long-time political prisoner who had allegedly written poems in prison and stood for extreme right-wing ideals. Mas had Valladares appointed co-founder of the foundation, and helped him become chief of Radio Marti. He later forced Valladares out in a bitter fight.

In November 1986, Annette Lopez-Munoz, a Radio Marti reporter, asked President Reagan two questions that the President had difficulty answering. National Security Council staff members called Mas

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about this "transgression." Lopez-Munoz was immediately transferred and threatened with termination.

Voice of America Chief Joe Duffy privately claimed to detest everything Mas stood for, but lacked the courage to confront him—as did Duffy's boss Bill Clinton.

Mas the Puppetmaster

Mas located a vulnerable Democrat to use as his point man. Senator Ernest Hollings (D-SC) faced two problems in his re-election bid in 1986: money and a formidable Republican opponent. Jorge Mas helped solve both problems. Free Cuba PAC money flowed into Hollings coffers: $5,000 from the PAC, and sizeable supplements from foundation directors. Over the years, Hollings has pulled in more than $100,000 from the Mas gang. Mas also used his clout with the Republican shakers to convince the opponent to withdraw. Hollings won the election and he owed Mas big-time.

As head of the Senate Appropriations Committee in 1989, Hollings bulldozed a path for TV Marti, which holds the record for nine successive years of television transmission without ever managing to hit its target audience. Castro has effectively jammed the transmissions from their onset. Indeed, it is estimated that more Cubans have watched test patterns than the programs generated by TV Marti.

"That is a tribute to Mas Canosa's political savvy," said one disgruntled member of Congress, after TV Marti received another year's funding and poverty programs were drastically reduced.

Hollings had no investment in Cuba policy when Mas approached him, but Senate Foreign Relations Committee Chair Claiborne Pell (D-RI) had taken a consistent anti-embargo stance and supported dialogue with Cuba.

Mas waited until the appropriate moment to have his "meeting" with Pell, who was in the midst of a 1990 re-election fight with Republican Claudine Schneider. Mas told the aging Senator that he felt compelled as a good American to release photos of Pell posing with Fidel Castro to the media. The next morning Pell switched his line on Cuba.

Mas Canosa paid off promptly to those who did his bidding. Florida Senators Bob Graham and Connie Mack have received over $30,000 in Mas-connected PAC money since 1982. Similarly, Florida Republican Represenative Ileana Ros Lehtinan has taken more than $100,000 since 1982 and Lincoln Diaz Balart got more than $30,000. Democrat Corinne Mack received more than $20,000 since 1992.

Congressional staff members took Mas's calls and got them quickly answered. Mas enjoyed special relations with Democratic Senators Bob Torricelli (D-NJ), who got more than $35,000, and, of course, with Republican Jesse Helms of North Carolina.

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As Mas strutted through the halls of Congress, members showed him proper deference. Indeed, that's how one should act towards one's patron. Mas, not known for subtlety, behaved as if he owned them, which, in some cases, he did.

He didn't always get his way, however.

In 1995, I saw him swagger into a congressional hearing room, surrounded by a beefy, five-man entourage. As Mas shed his elegantly tailored camel's hair coat, the accompanying sharks did the same. He sat. They sat. He squirmed, smoothing the expensive knit of his custom-made suit. He made himself comfortable in the chair. They did the same. Mas bit his nails. One of the thugs raised his hand to his mouth.

Was Charlie Chaplin directing this scene for a remake of the "Great Dictator"? Or was it Charley Rangel (D-NY) who flattered Mas into the witness chair? (And then set him up.) After listing a lengthy string of his virtues and accomplishments, Rangel asked him about allegations of his tendency to use violence against his opponents.

"There's no evidence to support that," retorted a visibly shaken Mas.

"No, Mr. Mas," Rangel cooed. "Don't say that."

"I'm tired of hearing that charge," Mas shouted. "No one's been able to find any evidence ...."

"No, Mr, Mas. You're not in court here. No one accused you. Just say it's not true."

Mas calmed down, although he showed some discomfort when Rangel had him sit alongside the Reverend Jesse Jackson during the testimony. After Jackson had delivered his anti-embargo testimony, Rangel coaxed Mas into inviting Jackson to meet with him on the issue.

Mas, ever the macho host, extended a warm invitation to the Reverend, promising him hospitality Cuban-style. Jackson accepted and Mas somehow convinced Jackson to pose for a Miami Herald photo with him. Fidel Castro later commented that "I thought Jackson would have more principle than to pose for a photo with that fascist criminal."[12]

Mas thought that Rangel, the representative from Harlem, was a buddy of Fidel Castro. In 1996, Mas threw money at Adam Clayton Powell who contested, unsuccessfully, for Rangel's seat.

During the Reagan-Bush years, however, Mas joined a host of right-wing initiatives. He worked hard for Jonas Savimbi in Angola, the Contras in Nicaragua, and Major Roberto D'Aubbison and his ultra-right forces in El Salvador.

By the late 1980s, Mas also had learned to suck up to foreign heads of state who had taken anti-Castro positions. He met with Russian President Boris Yeltsin, Argentine President Carlos Menem, and

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Spain's Jose Maria Aznar, before and after Aznar's defeat of Felipe Gonzalez's Social Democrats.

Mas and the Miami Herald

The debonair and democratic facade that Mas wore abroad didn't apply in Miami, where the Chairman ruled on Cuba policy. So when, in 1992, the Herald questioned a Mas-backed initiative, Mas went ballistic. He accused the Herald of being a Castro front and initiated an "I don't believe 'The Herald'" campaign, plastering buses and billboards with that slogan in Spanish, distributing bumper-stickers, and attempting to organize a boycott.

Herald executives received death threats. Vandals smeared excrement on its sidewalk vending machines. Americas Watch wrote a lengthy report, "Dangerous Dialogue," on the situation, labeling it a violation of free speech rights in Miami.

Human rights monitors documented the systematic campaign of violence and intimidation waged against dissenting political voices in Miami's Cuban community. Although no one found Mas holding the proverbial smoking gun for the various kinds of repression practiced against dissenters, the report's authors felt confident enough to ask the government to reexamine its support of National Endowment for Democracy (NED) funding to CANF and other support offered to Radio Marti.

The Almost Duel with Carollo

The charming, warm, generous, democratic Jorge Mas that U.S. and foreign heads of state knew, the immigrant success story incarnate, had a darker side. He became impatient to the extreme when lesser beings disobeyed or, worse, disrespected him. In 1985, his younger brother Ricardo left Jorge's business venture. The older Mas claimed the younger had taken money from Church and Tower and deposited it in his own retirement fund. The younger Mas challenged Jorge about who rightfully should control the money. Mas came to Ricardo's house, beat the upstart, and threw him through a plate glass window. A judge subsequently awarded Ricardo $245,000 for breach of contract.

Then Ricardo sued his older brother for saying nasty things about him in public. In 1990, a Miami jury ruled in Ricardo's favor. Jorge's son added to the libel by accusing his uncle of lying and being interested only in money, exploiting Jorge Mas's public position to get ahead. The court awarded Ricardo Mas $900,000 in damages.

In another episode, Mas employee Eduardo Nunez threatened to shoot another employee. Mas visited Nunez, accompanied by bodyguard Marcelino Moreno, and waved a gun at Nunez who, understandably threatened, reacted angrily. Mas told Moreno to shoot his

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own gun to "scare" Nunez. The bullet hit Nunez, who later collected some money for his discomfort.

In 1986, City Commissioner Joe Carollo claimed that Mas had used his contacts and connections to push city officials into awarding him a $130 million contract. Mas called Carollo a coward and challenged him to a duel. Carollo accepted, but "only with water pistols" so Mas could cool off.

These unpleasant incidents tainted Mas's new "statesman" image. Behind his facade of respectability, observers noted an inextinguishable propensity on the part of Mas and his cohorts to return to violence as the ultimate means of dealing with Castro in Cuba and dissenters in south Florida.

Between May 1987 and June 1990, thirteen bombs exploded in the Miami area. The targets were shippers that sent cargo to Cuba; travel agencies arranging trips there; homes of anti-embargo Cubans; and the Cuban Museum of Arts and Culture, which dared to exhibit paintings by artists living on the island.

Who ordered these bombings? The police caught no one, but a retired FBI agent, with a smirk on his face, pointed the finger at Mas, whom he called "the grand intimidator."

Jorge Mas Canosa's not-too-well-hidden goal in life went beyond accumulating multi-millions and being *numero uno* in the Cuban exile community. His aim extended beyond punishing Castro and overthrowing the revolution. Jorge Mas, former shoe salesman and milk delivery man, was a minor world player. He wanted to return to Cuba and become its president. But, although he suffered from a bloated ego and projected an exaggerated self-image, controlling shadows always lurked nearby—men who had more money, more power, more access to the intestines of U.S. National Security power.

Does this help explain why Mas never really let go of violence as a means toward that end? Play out the scenarios. Until the 1990s, Mas's most likely return ticket to Cuba rested on the backs of the U.S. Marines. And, unless Mas and company could provoke a U.S. military response, there was little chance that a sitting U.S. president would make such an aggressive move.

Ironically, the official Cuban line on Mas Canosa (as stated in *El Chairman Soy Yo*) paints him as a petty villain. This is unfair to a man with visions of epically evil proportions. His strategy was to manipulate the United States into a shooting war with the Castro government. Not a foolish idea, since it appeared to be the only viable route to his ultimate goal of ruling the island.

The USSR Collapses and Mas Sees His Chance

In the 1990s, as if some magic fairy had answered Mas's prayers, the Soviet Bloc began to crumble. Without Soviet support, the

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Cuban economy went into a tailspin. The population suffered from shortages of almost everything. Rafters by the thousands began to head north to Florida.

Mas called economists and businessmen together to make a plan for a post-Castro economy. He launched a company that would control investment in the next (his) Cuba. Indeed, he demanded that those who wanted to do business in Cuba over the next few years had to go through him—for a fee, of course. Mas swaggered ever more exaggeratedly in public. He beamed before the cameras. His goal was in sight.

His public relations sense told him to downplay ambition when asked about his presidential aspirations, so he affected a humble pose. Not me, he lied. But Mas Canosa moved like a typical *caudillo* of a Latin American dictatorship, surrounded by an entourage of bodyguards, inside armored cars or in his private jet.

In 1991, his pal George Bush held a commanding approval rating, thanks to the U.S. public's response to his Gulf War decisions. Republican ideologues had helped Mas build his Foundation for twelve years. He expected even more help in the future as he began regularly to predict Fidel Castro's rapid demise.

But by Summer 1992, a reputedly liberal Democrat held the lead in the presidential polls. For Mas, this meant the possibility of seeing the hard line he had worked so hard to fashion turned into appeasement—another Jimmy Carter, who had almost reestablished relations with Cuba.

Mas didn't threaten Bill Clinton, nor pretend to change his own Republican registration. Mas knew through his Democratic Party inside men that the Clinton campaign, in July 1992, had run into a money crisis. So he bought Bill Clinton's support of the embargo-tightening Cuban Democracy (or Torricelli) Act in 1992 by offering the candidate $500,000 for his presidential campaign.

"I like it," said Clinton, referring to the Torricelli bill, or perhaps to the easy money.

"I like it," repeated candidate Clinton, who then criticized Bush for "not bringing down the hammer on Castro." Bush, who had opposed the Cuban Democracy Bill, quickly changed his mind when Clinton did the unthinkable, and moved to the right of him on Cuba policy. Bush had no intention of losing Cuban money or votes in Florida.

But Mas Canosa's love affair with Clinton did not endure. In 1995, Cuban Vice President Ricardo Alarcon signed a secretly negotiated agreement with Undersecretary of State Peter Tarnoff to repatriate Cuban rafters seeking U.S. asylum. Clinton ended the special anti-Communist status that Cubans had enjoyed exclusively—even after the Cold War ended. This status had allowed Mas to emerge as repatriating godfather, permitted him to enjoy privileged relation-

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ships with the Immigration and Naturalization Service (INS), and to spend taxpayers' money received from NED grants.

The 1995 accord showed, however, that when this miniature man with lots of money and a big voice went up against the banal interests of Florida democrats, he lost. Governor Chiles and Senator Graham feared that hundreds of thousands of foreigners (Cubans), many with non-white skin, washing up on Florida beaches would not enhance their own reelection possibilities.

Mas was furious. He demanded to know what would become of the thirty thousand Cubans housed at the U.S. Naval Base at Guantanamo Bay, where they were taken (after 1994) when they were picked up at sea.

Mas lost and accepted reality. Then came a new opportunity to punish Castro. At first he responded in a lukewarm fashion to the Helms-Burton bill, which extended the extraterritorial nature of the U.S. embargo. Clinton himself vacillated in his opposition to the bill. Then Mas understood the possibilities of a bill that would threaten all foreign investment in Cuba. Mas put energy into convincing Bob Dole that by endorsing Helms-Burton, he would win the Cuban vote and some big campaign contributions to boot.

But the Cuban Revolution struggled on and Mas became ever more desperate, especially in the face of declining health. Another opportunity arose for him in February 1996, when Cuban fighter jets shot down two unarmed planes flown by the exile group, Brothers to the Rescue. Clinton answered by signing the Helms-Burton bill. In blaming Castro for bringing "the punishment upon himself," Clinton also codified the embargo, a rare instance of an executive ceding power to Congress. The law was designed to allow Cuban-Americans whose property the revolution had nationalized to sue, in U.S. courts, those who now used that "stolen property." The bill also intended to frighten foreign investors who thought about going into business in Cuba. Without Mas's lobbying, the Helms-Burton Bill might not have reached the stage it did.

Then, Mas was officially diagnosed with Paget's disease. He entered the hospital with lung complications, went into a coma and died. He was a Latino immigrant worth half a billion dollars, under whose tutelage the CANF grew to immense proportions, with thousands of people beholden to it or its Chairman.

He associated with terrorists, behaved like a Mafia don—even mouthing the kind of pro-American cliches that Al Capone once used. If you believe the Cuban government's version, Mas even had the *cojones* to pass phony bills to the Colombian cartel for the purchase of some white powder.

He won most of the battles he fought—except the biggest, against the one person he vowed to hurt. The big one, the target, the

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obsession, now outlives him. This Huey Long of Cuban exiles, this Father Coughlin of south Florida, this Boss Tweed of Dade County, aspired to rule the island of his birth. But he was denied.

"I am a misunderstood man," he said in a 1992 interview in Miami. "I have never assimilated. I never intended to. I am a Cuban first. I live here only as an extension of Cuba."

Mas Canosa always believed he was right. Any effort to engage in dialogue or trade with Cuba was a sell-out or a Castro-made trap. Anyone who disagreed felt the full weight of Jorge Mas Canosa. "I am not running a popularity contest," he said in a 1988 interview. "It came about that I am the most popular guy in the Cuban community because when you are in a leadership role you must educate the people. If the people don't believe you in the beginning, you will prove to them that you are right and make them follow you."

Even as he lay comatose in the hospital, Jorge Mas's operatives remained busy at their chosen profession. In September 1997, Cuban authorities presented evidence that Luis Posada had planned, with Mas and other CANF members, to recruit Salvadoran thugs to bomb Cuban tourist sites. The Foundation denied any ties to the bombings. Then, in October 1997, U.S. Customs agents in Puerto Rico arrested four Cuban exiles on a boat owned by a CANF executive. The Customs agents found high-powered rifles on board and claimed that the arrested Cubans admitted that they were planning to assassinate Fidel Castro, in Margarita (an island off Venezuela), where Castro was to attend an Ibero-American summit meeting. The rifles also belonged to CANF executives. They and the men on the boat will go on trial shortly. All denied the charges, claiming that CANF was democratic and non-violent. They were, after all, following in the footsteps of their mentor.

Mas never outgrew his propensity for violence, bullying and intimidation. The combination of strong-arm tactics, financial "leveraging" of politicians, manipulation of the media, and crushing of dissent in the Cuban-American community enabled him to become a one-man, single-issue political powerhouse and perfect "the art of the deal" on Capitol Hill. Until last year's assassination plot, the U.S. government had stayed out of Mas's way.

When Mas died, Castro saw yet another enemy bite the dust. He has already watched nine presidents sit in the Oval Office, each out to destroy him. One would think, with conservative Republican Senators and CEOs of major corporations pushing to soften the embargo, that the President would finally lift the ignoble legacy that Mas Canosa represented—if only medical science could perfect the *cojones* transplant.

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NOTES

1. Reinaldo Taladrid and Lazaro Barreda, *El Chairman Soy Yo* (Havana: Ediciones Trebo, 1994), pp. 18-34.
2. On Rodriguez: After Fort Benning, Luis Posada Carrilles, a former Batista cop, became a CIA asset for DISIP (Venezuelan intelligence). By 1976, he was running a detective agency in Caracas. Then the Venezuelan police arrested him for planning the October bombing of a Cuban airliner over Barbados that killed 73 people. Posada later "escaped" from a Venezuelan prison when guards looked away—in exchange for $50,000. Coincidentally, shortly before Posada's exodus from prison, Jorge Mas Canosa withdrew $50,000 from one of his many accounts. Some of Mas's former associates doubt that Mas would have put up such dough even for a close fascist pal like Posada. They say that the CIA boys bailed out their own asset.
   In the mid 1980s, the fugitive Posada appeared at Ilopongo air base in El Salvador where Felix (aka Max) Gomez worked for Ollie North's supply-the-Contras mission. Mas made frequent visits to see his pals, sent Cuban exile doctors to treat Contra wounded, and used his influence to "persuade" Central American leaders to back Reagan policy. North refers to Mas in his notebooks, and to the $50,000.
   Rodriguez, after Fort Benning, became a CIA official, and in 1967 worked with U.S. Special Forces and Bolivian troops to track down Che Guevara. Mas subsequently introduced his buddy as "the man who killed Che."
   Like a good Musketeer, Mas remained loyal to Posada, his terrorist cohort, and to Rodriguez, his CIA pal. Friendship to Jorge Mas was an obligation as long as his friends behaved appropriately. He saw nothing wrong with bombing Cuban commercial airplanes or tourist sites—in a war against one's mortal enemy. But part of becoming an American success meant that he had to learn not to say things like that in public. It took Mas some time and experience to evolve from his impulsive, stereotypically Latin 1960s modes of thinking to his 1970s U.S. strategic planning.
3. Fonzi, interview with author and in *Esquire*, January 1993, p. 120.
4. Interview by author with Barandela, Eloy Gutierrez Menoyo, Antonio Veciana, and other former anti-Castro militants, 1994-96.
5. *Miami Herald*, April 10, 1988. Fonzi, Mas deposition, Case No. 87-52896.
6. *Orlando Sentinel-Tribune*, January 17, 1993.
7. *Miami Herald*, November 27, 1997.
8. RECE, April 1974, No. 113, p. 1.
9. *Miami Herald*, August 20, 1975.
10. Fonzi, 1989.
11. *Miami Herald*, November 24, 1997.
12. Meeting with Castro, March 1997.

On April 24, Mumia Abu-Jamal's birthday, mass demonstrations will be held in Philadelphia and San Francisco. For more information on these demonstrations and other ways to free Mumia, contact International Concerned Family and Friends of Mumia Abu-Jamal, PO Box 19709, Philadelphia, PA 19143; phone: 215.476.8812; e-mail: mumia@aol.com; website: www.mumia.org.

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BOOKS

Rebuilding Marxism

by John Bellamy Foster

Howard J. Sherman, *Reinventing Marxism* (Baltimore: Johns Hopkins University Press, 1995), 366 pp.

At a time when fashionable thinkers are busily deconstructing everything in sight—except what really counts, capitalism itself—in the name of innumerable postmodernisms, it is refreshing to come across a work which has as its goal the reconstruction of social theory, going back to the foundations provided by Marx. One of the very few quarrels I have with Howard Sherman's fascinating book is that this necessary process of reconstruction is misleadingly characterized—almost in an idealistic way—as a "reinvention," as if there were no foundations to work with and as if it were a matter of thought alone. Fortunately, this is neither Sherman's intention nor does it seriously hinder his analysis. Rather, "reinventing Marxism" here refers mainly to the supplanting of Soviet-style official Marxism, which came to be identified with Marxism in the public mind despite more than a century of struggle against such reductionist Marxisms within Marxism itself.

There is another sense in which Sherman uses the term "reinventing Marxism," which gives the notion some added significance, and accounts for the wide scope of his study. As he explains in the preface to his book,

> [I]n the past few decades there have been hundreds of specialized monographs building the framework of a new, nondogmatic, critical Marxism. But there have been very few attempts in recent years to combine all these specialized contribu-

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tions into a new, coherent paradigm, stating the new Marxism as a unity of all the social sciences ... Marxism is a view that claims that a unified social science is the essential basis for specialized work, so a new, unified paradigm is long overdue. For better or worse, the aim of this book is to present the basic framework of the whole field of Marxism (p. xvi).

It is in relation to this bold attempt to rebuild Marxism along "critical" lines, as a unified social science relying on the foundations provided by Marx, but discarding later additions to the theory that have proven unsound, that Sherman's book derives much of its significance. His goal is to show how the advances of radical social science over many years have made it possible to "reinvent" Marxism, so that it takes on an entirely new look (a new paradigm), without falling into the trap of postmodernist post-Marxism, which is content to discard the foundations as well.

As if this is not enough for any book, Sherman has another objective, without which the entire effort, in his view, would be ineffectual. His objective is to make the basic principles of this new, reconstructed Marxism understandable to the educated lay person. "This book," Sherman writes, "strives to state its views as clearly as possible—even if that means that some radicals and most economists will refuse to read it." (Ibid.)

Although he doesn't say it in this way, Sherman is clearly in accord with Lukacs' famous statement that orthodoxy in Marxism is concerned only with method. *Reinventing Marxism* is entirely about introducing readers step by step to the Marxian method. Marx's method was, of course, the dialectic, whose complexity (and the mystical character that it sometimes assumes, particularly in its Hegelian form) has always made the task of introducing Marxian ways of thinking exceedingly difficult. Like the great teacher that he undoubtedly is, however, Sherman goes directly to the simplest, broadest, most easily comprehensible points—the very essence of dialectical thinking that can be presented in an almost pragmatic way—and leaves the larger issue of the whole "dialectic," as such, until later. In this he follows the lead of Bertell Ollman who, in his important work *Dialectical Investigations* (1992), concentrated first and foremost not on teaching about the dialectic as an abstract, totalizing category, but on the introduction of dialectical thinking.

Sherman's argument opens with a discussion of reductionism (the tendency to reduce all causality in society to one single factor that determines all else), a mode of thought which he sees as rife within the social sciences and society in general, and as representative of everything that critical Marxism is not. Here he attacks

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both psychological reductionism (the reduction of all social phenomenon to individual psychology) and economic reductionism, including Soviet economic reductionism.

Sherman persuasively rejects all of those interpretations (whether emanating from bourgeois theory or from the official Marxism of Soviet-type societies) that seek to reduce Marx's thought to that of economic and technological determinism, i.e., to a one-way interaction between the economic determinants and the determined society. Especially important here is the short but detailed critique that he offers of G.A. Cohen's influential work, *Karl Marx's Theory of History* (1978), which used techniques of analytical philosophy to resurrect Marx's base-superstructure metaphor, turning it into a rigid form of technological determinism, all in the name of "defending" Marx. All attempts to reduce Marxian theory to single factors, denying reciprocal influences, are wrong, Sherman contends, since those single factors must themselves be explained.

In sharp contrast to reductionist thinking, Sherman introduces what he calls "the relational approach"—essentially a first stab at explaining Marx's dialectical method. "The relational approach," in Sherman's words, "begins with relationships in society rather than with individuals or things. For example, one must understand both slave and slave owner within the relationship of slavery. One cannot define slave without defining slave owner, nor slave owner without slave; the terms have no meaning separately." The most developed example of this relational approach was in fact Marx's *Capital*, in which "he repeatedly asserts that capital is not a thing but a relation" (pp. 35-36).

Still, a coherent approach to social inquiry also requires that some relations be designated as more fundamental than others. Within the positivistic Marxism that prevailed in the Second and Third Internationals, and which was embodied in the official Marxism of Soviet-type societies, this question was addressed through the base-superstructure model (drawn from Marx's famous metaphorical discussion in his 1859 *Preface to the Critique of Political Economy*). Sherman finds the base-superstructure metaphor to be more trouble than it is worth. In presenting the method of a critical Marxism he therefore retains the terms *forces* and *relations of production*, but dumps *base* and *superstructure* as unnecessary and confusing, replacing them with *economic processes* and *social processes*, and stressing the "reciprocity" that exists between the two.

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The recognition that society is really a set of social relations is only the first step in explaining the Marxian method. By itself it is ultimately as meaningless as the poststructuralist emphasis on discursive relations (that is, the notion that all social relations are essentially relations of language or discourse). What distinguishes Marxism is not its emphasis on social relations per se, but rather its insistence that these are historical-materialist relations: ever changing, yet conditioned by material changes introduced in the past.

Sherman therefore moves on to a discussion of "the historical approach," eventually designating the method of critical Marxism as "the relational-historical approach" to society. The key concept here is the principle of historical specificity—a principle enunciated most clearly in Karl Korsch's *Karl Marx* (the most important part of which was published by Monthly Review Press under the title *Three Essays on Marxism*). As Sherman puts it: "Following the method of historical specificity, Marxian scholars seldom try to say anything [for example] about labor in general; that is, their goal is not to discuss those characteristics that are the same in all societies. Thus, instead of discussing the laws of supply and demand for labor in general, most Marxian political economists speak of wage labor under capitalism, slave labor under slavery, and so forth" (p. 63).

Moreover, Sherman insists that, although the Marxist historical method emphasizes changing modes of production and social relations, one should not make the mistake of assuming (as in the case of Soviet Marxism or more recently in the work of Cohen) that there is some sort of unilinear path of change, or that social regression is a flat impossibility. The recognition of historical specificity also means the recognition that while human beings cannot make and remake history exactly as they please (given conditions already established in the past), nonetheless the making of history is in no way predetermined.

"In the social sciences," Sherman declares, "relations at a given time and historical changes should be discussed as two aspects of a unified relational-historical approach" (p. 73). Yet he recognizes, at least implicitly, that this is still an inadequate characterization of the Marxian method. Arguably, German idealist philosophy in its Hegelian form was both historical and relational in its approach. Marxism, in contrast, demands a focus on material relations, particularly the dynamics of class, which are understood as arising from the specific conditions under which the surplus product is appropriated from the direct producers. (In a broader sense, this emphasis on

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material production and exploitation can be seen as the basis not only for the analysis of class, but also for other relations of production and modes of intercourse such as gender and race, which can never simply be subsumed under class, but which share with class the fact that they are constituted in material relations.)[1]

Sherman therefore goes on to discuss class analysis, while seeking to avoid all one-dimensional, oversimplistic approaches to this phenomenon. He places particular attention on the fact that Marxism recognizes the existence of intermediate strata under capitalism, in response to those who see Marx's class analysis of capitalism as limited to the capitalist and the proletarian. But Sherman is so intent on countering accusations of Marxian reductionism in this area that his attention is diverted away from working-class struggles. Hence, he devotes only cursory attention to the most important Marxist contribution to the analysis of the labor process and the conditions of the working class in our time—namely, Harry Braverman's *Labor and Monopoly Capital.*

Part Two of Sherman's book is devoted to the application of the method outlined in Part One. Where economic issues are concerned, his analysis is always penetrating, reflecting the depth of his background as a radical economist. But in other areas, such as the analyses of racial and sexual discrimination, and of the state and democracy, Sherman's treatment sometimes appears mechanical and reductionist, despite all of his efforts to the contrary. This suggests that it is frequently easier to write about dialectics in the abstract than to practice it. A dialectical approach does not provide a definite formula that can be imposed on any subject matter that comes along, but rather allows one to perceive more readily the immanent development of that subject matter, according to its own internal logic, once one has immersed oneself within it.

Hence, the mere fact that one subscribes to a dialectical method in no way obviates the need to engage in the most searching and critical engagement with an historical subject matter, requiring the most comprehensive kinds of research possible, together with a disposition to rethink everything from beginning to end (the critical refutation of everything existing). No one understood this better than Marx himself. Sherman, however, in applying his historical-relational method, sometimes makes the mistake of getting ahead of his own body of critical knowledge/research, thereby falling into traps that seem to reflect negatively on his method. For example, the complex issue of gender relations and patriarchy cannot be reduced

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to a three page discussion of first, historical, and second, relational, approaches to "sexist discrimination"—treated as mere ideology—without throwing doubt on the underlying method. Similarly, in a three page section on "racial discrimination," Sherman focuses mainly on the ideology of racism, and sees it as a divide-and-conquer strategy for domination of the working class—traditional elements in the Marxist approach to race—but falls into a fairly crude, undialectical treatment of his subject matter (since other elements are not considered). What is missing is the more complex and dynamic historical and relational arguments of a cultural materialist like Herbert Gutman or a "genealogical materialist" like Cornel West, in which the race is seen as having its own relatively autonomous master-slave dialectic.

Sherman is at his best when he examines issues like unemployment, the business cycle, and the rise and fall of the Soviet Union, where he can rely on his own previous research (and the fact that these issues are easily analyzable in terms of class). His chapter on the Soviet Union adds immensely to his book from a pedagogical perspective, providing a critical Marxist reading of the greatest historical challenge thus far posed to the capitalist system, while at the same time demonstrating why only a historical-materialist approach is capable of illuminating these events.

In Part Three, Sherman returns again to the dialectic—this time addressing it overtly, rather than surreptitiously, through the discussion of the historical-relational method. Here he rejects the mechanistic depiction of natural dialectics frequently associated with Engels' contribution (i.e., the three celebrated "laws": "The Law of Quantity and Quality," "The Law of the Unity of Opposites," and "The Law of the Negation of the Negation"). Instead, in the tradition of Ollman, Sherman highlights the importance of dialectics as a critical method, its connection to a philosophy of internal relations, and its conformity to rules of formal logic. The dialectic thus becomes a tool of analysis arising out of, rather than opposed to, commonplace forms of thought—but antithetical to all forms of reductionism.

Unfortunately not enough is said here about the relation of the dialectic to totality and historical/developmental change. "The truth is the whole," said Hegel, but he immediately added that the truth could only therefore be understood as a process of becoming. For Marx, human beings, as self-mediating beings, create their own history but not exactly as they please. They do so under conditions

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inherited from the past and in a process marked by social antagonisms and contradictions (along with natural limitations). Hegel's dialectic was essentially a method of understanding the self-mediation of the Spirit (Geist); Marx's dialectical method is a means of comprehending the self-mediation of humanity, as *homo faber.*

By far the most interesting and provocative part of Sherman's book is his methodological defense of philosophical determinism (the notion that every effect has a cause or causes), contrasting this to the notions of predeterminism frequently confused with it, i.e., a fatalistic approach to history that leaves no room for individual volition. As Sherman writes, "Determinism is the view that everything occurs lawfully" (p. 271). It in no way implies absolute certainty. Much of the confusion surrounding Marx's notion of history—and indeed social science in general—would be cleared up if the idea of philosophical determinism (as a guide to rational inquiry), indeed the very concept of determinacy, were not simply rejected out of hand in today's fashionable, postmodernist quest for absolute indeterminacy and the rejection of all objective conditions. For postmodernists, with their solipsistic world-view ("the world is my representation"), history is replaced with a "carnival" of the senses. The idea that the historical process can be conceived of as embodying a dialectical logic (even when this is seen as stemming from the role of human beings as self-mediating beings of nature and history) is viewed by postmodernists as simply another form of "determinism" or "teleology"—and hence meaningless. Yet, "a Marxian determinist position," Sherman writes in refutation of such notions, "simply asserts that everything in society is explainable on the basis of observed relationships, including the existing psychology and behavior of humans. In this view, humans make their own history; that is, humans can make their own decisions ... but under given natural and social constraints" (p. 279).

Sherman's book ends with a thoughtful treatment of Marxian versus liberal ethics, and with a program for "reinventing socialism"—a project for radical social change in the twenty-first century. Here he presents socialism as a combination of political democracy and economic democracy, once again rejecting economistic approaches. For many of his readers, what he has to say will no doubt seem like a "reinvention" of socialism, but in reality it is merely a return to its classical theoretical foundations. Socialism should never be simply confused with its now defunct "official Marxist" versions. Indeed, we must remember never to judge the highest, most revolu-

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tionary, human social aspirations—those of freedom, democracy, and socialism—merely in terms of what has been done in their name over the course of history. Instead we should focus on the undying struggle to realize these aspirations as general human principles, the common essence of which lie in making the free development of each the basis for the free development of all. This is the beginning and end of the socialist program for humanity. Those seeking to understand this will find Sherman's book a useful tool.

NOTES

1. Race and gender are often seen as non-material because related to culture, but there is a long history of cultural materialist analyses within the struggles for race and gender liberation. For example, both W.E.B. Du Bois' *Souls of Black Folk* and Charlotte Perkins Gilman's *The Man-Made World, or Our Androcentric Culture* (1911) can be seen as early cultural materialist works.

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Revisiting the Marx-Malthus Debate

by Martha E. Gimenez

Asoka Bandarage, *Women, Population and Global Crisis* (London & New Jersey: Zed Books, 1997), 384pp., $25, paper.

This is a well-written, thoughtful, well-researched and timely book which brings together a wealth of information documenting the connections between economic globalization, increasing economic and reproductive oppression of women, ecological deterioration, worldwide decline in the standard of living of working people, and the uses of Malthusian and neo-Malthusian ideologies to mask the capitalist roots of the crisis. It is, however, a contradictory book, one which trendy middle-class activists in the United States and elsewhere are likely to welcome, for it captures their cherished main concerns with self-transformation and spirituality based on a synthesis among intellectual and religious, indigenous and non-Western sources. Left activists and Marxist social scientists, on the other hand, will most likely find it descriptively useful but theoretically problematic and politically frustrating.

The book's strengths are the thorough documentation of the deepening global crisis in its manifold aspects and devastating social and ecological effects (especially on women and children), and the development of a feminist perspective on the nature of reproductive freedom, useful in counteracting current views that subsume women's rights under population control objectives. The book's weaknesses stem from the idealistic nature of the analysis and the solution the author proposes. The author states, at the outset, that

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the world needs a "paradigm shift," meaning a process of psycho-social transformation leading from the current "dominator paradigm," characterized by violence, ecocrisis and inequality, to the "partnership paradigm," characterized by ecology, peace and justice (p. 3). While peace, justice and ecological survival are goals everyone on the left—regardless of differences in political and theoretical commitments—would support, disagreements about the ways to attain them are unavoidable and it is in this respect that the book is likely to find a mixed reception.

The first part is dedicated to a critical exposition of Malthus' theory, and current Malthusian and neo-Malthusian analyses of the demographic causes of poverty, environmental degradation, political instability and the status of women, as well as a thorough examination of the political underpinnings of population control policies. Bandarage demolishes the Malthusian arguments that rely on overpopulation to explain any and all social problems—whether at the local, national or global levels of analyses—and postulate population control (the so-called "contraceptive revolution") as their only effective and "scientific" solution.

Her analysis of neo-Malthusian support for women's reproductive choices uncovers its coercive kernel, i.e., the reduction of women's rights to reproductive rights, subsumed under the objectives of population control policies designed to curb the fertility of the poor. Her critique of the Malthusian ideology that posits population control as the only effective road to social justice and economic development is the foundation for her critique of the oppressive nature of fertility control without concomitant economic, political and social changes conducive to the empowerment of women, not only as reproductive agents, but as political and economic agents in their own right. Bandarage illuminates the conservative implications of policies that consider family planning a sufficient precondition for improvements in the status of women, and uncovers the convergence between liberal feminists and right-wing supporters of population control made possible by the appeal of campaigns designed to expand women's "reproductive rights" in isolation from (and as a substitute for) qualitative economic and political change. Her discussion of the various methods of fertility control pushed by private, state and international agencies, under the guise of broadening women's reproductive choices and rights, highlights the extent to which women, especially third-world women, have been subject to sterilization abuse, experimentation, anti-fertil-

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ity "vaccines," and a variety of other methods designed to reduce their fertility (or produce permanent sterilization) without making substantial improvements in their lives. Under such conditions, family planning becomes a means of oppression, for it deprives the poor not only of the opportunity to bear the children who might care for them in their old age and whose labor might increase the standard of living of their families, but also (and most importantly) because it deprives them of the joys of parenthood, often the main pleasure easily accessible to them.

In the second part of the book, Bandarage balances a political-economic analysis against the Malthusian ahistorical emphasis on population (i.e., its rate of growth, size, density, structure, and distribution) as the independent variable in any and all explanations of social, economic and political problems. Her analysis takes as its starting point Marx's view of the need to examine population historically, as each mode of production has its own laws of population. Consequently, she argues, today's problems have to be understood as effects of uneven global capitalist development, not as a result of "natural laws of population."

Years ago, developing the demographic implications of Marx's discussion of the effects of capital accumulation upon the demand for labor resulting in the inevitable production of a reserve army of labor,[1] I constructed a Marxist theoretical framework for analyzing the effects of capital accumulation and capitalist contradictions on changes in population structures and processes.[2] It was, therefore, very interesting to me to see Bandarage's thorough research, which documents many of the relationships between capitalism and population postulated in that work. Demography and population studies are relatively undeveloped in Marxist and neo-Marxist writings; this is why Bandarage's book is a welcome contribution to this important area of theoretical and political work. Her chapters on the political economy of poverty, the environment, violence, and the social-structural determinants of fertility place these phenomena firmly within the context of capitalist relations of exploitation and profit maximization. But, Bandarage points out, capitalism is not the only determinant of these phenomena: warning against "Marxist fundamentalism" and "class reductionisms," Bandarage insists that one should look at other causes of current world problems, such as patriarchy or male dominance, greed and thirst for power, racism, imperialism, and the heritage of the Western philosophical and

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intellectual traditions (characterized by linear, fragmented and undialectical thinking, individualism, and a competitive ethics).

Theoretically, Bandarage's analysis does not rest on political economy but on ahistorical and idealist foundations, despite her assertions about the importance of historicity and political economy and rejection of ahistorical Malthusianism. Political economy becomes a source of intervening socio-economic and political variables (e.g., capitalist accumulation, imperialism, globalization, and transnational corporate power,); the explanatory weight of the analysis shifts to ideological, psychological and ultimately ahistorical factors like inherent male greed and desire for domination over women, nature, and other men. In the last chapter, she advances the idea that we are currently operating within a "dominator paradigm," characterized by ignorance, hatred, greed, anthropocentrism, patriarchy, capitalism, poverty, and environmental destruction. Instead, she argues, we should be engaging in a process of psychosocial transformation, of individual self-transformation (for we cannot change others, p. 317) towards eventually establishing a "partnership paradigm." This paradigm is characterized as a synthesis of a variety of intellectual and spiritual traditions, such as Buddhism, Native American and other indigenous teachings, deep ecology, quantum theory, ecofeminism, social justice, evolutionary biology, and bioregionalism (p. 316). Underlying these antithetical paradigms is the ecofeminist distinction between the "female" (i.e., nurturing, caring, peaceful) and the "male" (i.e., aggressive, war prone, dominant) principles. This kind of problematic dichotomy (men versus women and nature) ultimately exonerates the dominant classes and minimizes the relevance of class divisions within the male and female population.

The "partnership" paradigm is an abstract or undialectical negation of the psychological, cultural, social, economic, political, and intellectual effects of capitalism. It results, at the individual level of analysis, in an ethics of self-transformation that reflects the concerns of many of the so-called "new social movements" in the advanced capitalist countries. This paradigm is likely to be very appealing to middle- and upper middle-class, single-issue activists who, while involved in localized struggles around feminist, ecological, environmental, animal rights, rainforest, ecotourism and other issues, have indeed begun to voice their rationale for these struggles in frameworks or "discourses" which combine elements taken from Native American and non-Western religious and philosophical tra-

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ditions. At the macro level of analysis, the alternative is an idealistic dialectics that transcends the dualisms inherent in the capitalist world view and system of socio-economic and political organization by postulating the "inherent connectedness" between subject/object, human/non-human, North/South, capital/labor, nature/culture (p. 317). From a Marxist standpoint, underlying these connections are material relations (i.e., not purely intersubjective relations, but relations mediated by people's relationship to the means of production) of domination and exploitation, which cannot be transcended simply through processes of individual change. Bandarage's analysis rests upon methodological individualism, for it assumes that qualitative structural change would be the eventual outcome of changes in individuals' consciousness and behavior. These changes would mean a move away from a self-centered, consumption-oriented lifestyle toward simplicity, shared consumption of consumer durables, and awareness of oneness with others and the earth. Such changes "... would take away a great deal of the ecological and social pressures that are generally attributed to population growth by the Malthusians" (p. 330). But, in the absence of structural changes in the mode of production, drastically lower levels of consumption among the enlightened middle strata can barely make a dent in the health of the capitalist system; instead, those espousing "voluntary simplicity," "spirituality," "co-housing," "recycling," and alternative forms of home construction have become a lucrative market for books, goods, and services. These commodities are produced through capitalist relations, yet contribute to strengthening certain peoples' belief in the possibility of change through individual transformation; after all, they are experiencing it themselves in their alternative communities.

There is a contradiction between an analysis that, despite caveats, stresses the role of historical modes of production and capitalism in determining poverty, the oppression of women, environmental deterioration and violence, and a conclusion that, setting aside these material conditions, argues that what the world needs is "... primarily a shift of the human heart; from ignorance ... greed ... and hatred ... towards wisdom ... generosity ... and compassion. It is only with wisdom and strong commitment on the part of more and more people to the basic values of compassion and generosity that the exploitation and domination of the present world order can be transcended and ecocentric, feminist, multicultural and socialist alternatives can be created. Solutions to the global crisis, including

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the population question, must be located within such a profound transformation in our consciousness and relationships—a psychosocial revolution" (p. 320).

But changes in consciousness and relationships presuppose changes in material conditions; there is a connection between the social and the psychological revolutions which needs to be explored. Such a study would most likely bring up, as an object for critical examination, the "elective affinity" (to borrow Max Weber's expression) between the values characterizing the "partnership paradigm" and the material conditions within which their adherents in the advanced capitalist countries, who are generally college-educated and relatively affluent, live. I am also skeptical of analyses that reproduce the distinction between women as good, moral, spiritual, sacred repositories of virtue, manifestations of the Goddess, and men as greedy, violent, dominant warriors, patriarchs who have oppressed women and nature throughout history. Men, like women, are social creatures and we do us both a disservice by reifying and imputing explanatory power to the socio-psychological effects of centuries-old gender inequality and division of labor.

The world will be a better place when the material conditions that resulted in each gender's current traits are changed; from a Marxist theoretical standpoint, processes of individual self-transformation are not sufficient. Will a new culture, which will ensure planetary survival, develop through the "incorporation of the sacred dimension of the feminine through the development of new archetypes and cultural myths" (p. 340), or through efforts to change the organization of production and the articulation between production and reproduction, so that the entire community assumes responsibility for the young, the elderly and the weak? This and other similar questions come to mind while reading the last chapter of this book and this is why it is, in the end, a contradictory (though fascinating) work. Those who teach courses in population studies will find the first seven chapters extremely useful, for they contain a well-informed critical assessment of Malthusianism in all its aspects. They might, however, depending on their theoretical orientation, find the last chapter interesting but ultimately disappointing. Others might find in the last chapter, with its prescriptive statements about the changes that need to be made at all levels of the social organization and, above all, in one's personal life, the best and most comprehensive statement about what the New Age spirituality movement is all about.

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Perhaps what we need, as the new millennium starts, is a vision of what the future might be like and the modes of being that would be necessary to strive toward if we are to build a humane form of social organization; knowledge of the necessary structural changes is not sufficient. Books like this might help establish a productive dialogue among people who share similar goals despite their theoretical and political differences. This is why, despite my previous criticisms, I welcome Bandarage's book as an important addition to the progressive literature on population and as a source of very important, thought-provoking insights.

NOTES

1. Marx, Karl. *Capital*, Vol. I. (New York: International Publishers, 1974), P. 612-648.
2. Gimenez, Martha E., "Population and Capitalism," *Latin American Perspectives*, Vol. IV, No. 4 (Fall 1977): 5-40.

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Greenwash and Globalization

by John Trumpbour

Joshua Karliner, *The Corporate Planet: Ecology and Politics in the Age of Globalization* (San Francisco: Sierra Club Books, 1997).

In late 1991, Lawrence Summers, the chief economist for the World Bank, delivered a confidential memo to a World Bank colleague. He asked: "Just between you and me, shouldn't the World Bank be encouraging more migration of the dirty industries to the LDCs [less developed countries]?" Pointing to the cheaper economic valuation of human life, calculated by the lower wages of third-world workers, he boldly proposed, "I think the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable and we should face up to that."[1]

It was the war crimes historian Ruth Bettina Birn who once quipped: "Reading his letter, I can see that he will be very successful in life."[2] When the infamous memo fell into the hands of Washington-based environmental groups, Summers proclaimed innocence, saying that he was merely displaying his deft gift for ironic humor.[3] Undoubtedly impressed by Summers' knack for saucy irreverence, President Clinton rewarded the former Harvard professor of economics with the number two position at the U.S. Treasury Department: Undersecretary for International Affairs.

In a moment of generosity, one might accept Summers' appraisal of himself as a World Bank wordsmith with a Swiftean penchant for the satirical. It so happens, however, that the Clinton Administration has by and large carried out the very politics counseled by his memorandum. David Brower, former head of the Sierra Club and Friends of the Earth, remarked in 1996 that "President

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Clinton has done more to harm the environment and to weaken environmental regulations in three years than Presidents Bush and Reagan did in twelve years."[4] Today, Summers himself is a pivotal player, often advising the President on global warming, reports an approving David Warsh, economics correspondent for the *Boston Globe*.[5] Given Vice-President Al Gore's declaration, in his book *Earth in the Balance* (1992), that "rescue of the environment" must become "the central organizing principle for civilization," confronting "nothing less than the current logic of world civilization," this is indeed an astounding turn of events. Actually writing that "today the evidence of an ecological Kristallnacht is as clear as the sound of glass shattering in Berlin," Gore, rather like the Treasury Undersecretary, may have just been practicing irony.

In *The Corporate Planet: Ecology and Politics in the Age of Globalization*, Joshua Karliner documents the wealthy North's environmental degradation of the South, the dumping of toxic wastes on the third world, and the ravaging of forests by some of the world's largest corporations. Though Karliner may be a little too kind in observing that "Vice-President Al Gore was obliged to bow to political pressure from an array of business interests," *The Corporate Planet* thoroughly documents the ecological carnage and devastation underway on the eve of the twenty-first century, which Mikhail Gorbachev has already christened "the century of the environment." Karliner shows how corporations have engaged in a jujitsu turnaround on the unsuspecting public by throwing the blame for global ecological mayhem onto poorer countries. Afterwards, they blanket themselves in an attractive coat of "greenwash," which advertises transnational enterprises as saviors of the environment. As the official petition for Earth Day 1995 expressed it:

> With major polluters such as Texaco and Monsanto attempting to 'sponsor' Earth Day and every politician in the nation claiming to be 'for the environment,' it is getting hard to figure out who is really protecting the planet and who is polluting it.[6]

Karliner therefore embarks on a Magellan-like journey around the globe, giving readers a guided tour that identifies the protectors and poisoners of planet Earth. U.S.-based transnationals are at the forefront of much destruction, but they are hardly alone. Japan's Mitsubishi Corporation, the world's largest corporation (with revenues exceeding $175 billion), has been called "the worst destroyer of rainforests in the world" by the Rainforest Action Network (RAN). According to Karliner, the company harvests rainforest logs in Malaysia, markets plywood from Indonesia, participates in the joint

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venture Eidai do Brasil, "one of the largest milling operations in the Brazilian Amazon," chops down tropical forests throughout the Bolivian Amazon, "including endangered mahogany," and otherwise overwhelms the Chilean forests "traditionally occupied by indigenous Mapuche communities" by converting sylvan paradise "into ecologically destructive monocrop eucalyptus plantations." Meanwhile, in North America, Mitsubishi stands as "one of the largest wood exporters from the Pacific Northwest," and "in Alberta, Canada is the majority owner of the largest chlorine bleach pulp and paper mill in the world." Additionally, Mitsubishi and the U.S.-based transnational Weyerhaeuser have taken up the mass export of logs from Siberia, where clear-cuts of forest habitat threaten extinction for the Siberian tiger. These companies are perhaps fulfilling Alexander Solzhenitsyn's oracular warning to the Soviet Politburo that Russia would rue the day when leaders sought massive exploitation of the natural riches of this region.

A notable strength of Karliner's work is his internationalism, marked by careful attention to the voices of third-world thinkers. Too often Western writers discover third-world environmentalists when they are dead, like Chico Mendes, or soon to be dead, as in the case of Nigeria's Ken Saro-Wiwa, who was executed by a most pliant regime, attentive to the needs of petroleum transnationals. Karliner is particularly well-steeped in the writings of India's environmentalists. The Indian physicist and women's rights advocate Vandana Shiva stands out as his intellectual hero. Her latest work, *Biopiracy*, documents how transnational corporations (TNCs) plunder knowledge from peasant communities, patent the formulas, and then profiteer by shutting off these same peoples from access to the wealth their knowledge created. Shiva has been particularly outspoken in combating Monsanto's creation of soy beans and cotton showered with a chemical called Round-Up. These genetically engineered plants are designed to withstand monster dosages of chemical herbicides. (Consumers who once chowed down soy burgers as the pinnacle of health consciousness will undoubtedly be heartened to learn about the prospect of ingesting heaping quantities of Round-Up. The Clinton-era USDA considers this a "win-win" situation for agribusiness and consumers and, on December 16, 1997, announced new plans that could dramatically lower standards for certifying food as "organic." A mobilization of angry vegetarians and more general public outcry, all too rare in the age of Clinton, apparently led to the administration's subsequent retreat.)

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In the meantime, Karliner challenges the politics of the possible as defined by major corporations. For instance, he shows how, in Germany, refrigerator companies long declared it economically reckless to discontinue the manufacture of freezers containing ozone-depleting chemicals. When Greenpeace activists approached declining East German industrial plant FORON with a program to build "Greenfreeze" refrigerators (free of CFCs and harmful CFC substitutes), they found themselves with more than 30,000 advance orders. The other German companies suddenly summoned the technical know-how to manufacture their own environmentally friendly models. Germany's Bosch-Siemens, Liebherr, and Miele, as well as Sweden's Electrolux, took on FORON, producing some eight million Greenfreezes per year by 1994. Refusing to patent the technology, Greenpeace gave the technical knowledge to refrigeration industries in Argentina, Australia, China, Ghana, India, Kenya, and Pakistan, thereby assuring that ecological progress would migrate beyond Central and Western Europe.

Nevertheless, the heart of Karliner's book is a less auspicious story of the growth of corporate "greenwash," designed to portray capitalism as the vanguard of ecological awareness. His most detailed case study looks at Chevron, a company with advertisements showing lovely butterflies fluttering over the dunes of its Pacific pipeline operation. While Karliner shows the reality of Chevron pipes oozing with toxic waste and befouling Pacific Coast waterways, the advertisement has won over the more environmentally sensitive car-driving public, among whom "sales jumped by 22 percent." Chevron's director of public affairs research proclaims, "It does pay to advertise to hostile audiences." While the company spends $5,000 for its vaunted El Segundo butterfly program, the thirty-second segments on West Coast television deliver as much as $200,000 a pop to the networks. Karliner observes that Chevron gives substantial contributions to mainstream environmental organizations such as the World Wildlife Fund, whose leadership appears as corporate Quislings eager to collaborate with greenwashing enterprises.

Though not uncritical of the Sierra Club and those in the environmental movement who are less NAFTA-friendly, Karliner tends to spare these groups from such stinging rebuke. Readers in search of detailed information on the corporate connections of mainstream environmentalism should supplement Karliner's study with Brian Tokar's latest, *Earth for Sale: Reclaiming Ecology in the Age of Corporate Greenwash*.[7] Citing a Multinational Monitor survey of the

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early 1990s, he points out that "twenty-three directors and council members from the Audubon Society, NRDC, the Wilderness Society, the World Resources Institute, and the World Wildlife Fund were associated with nineteen corporations cited in the National Wildlife Federation's recent survey of the 500 worst industrial polluters," among them "Union Carbide, Exxon, Monsanto, Weyerhaeuser, Du Pont, and Waste Management." Headed by the Flintstones-sounding Dean Buntrock, who was offered a directorship to the National Wildlife Federation in 1989, Waste Management is now known as WMX Technologies. This organization, the world's largest processor of toxic chemical waste, soothingly calls itself an "environmental technology" corporation.[8]

Karliner's account should have shed more light on the history of the corporate takeover of the public sphere in the United States. PBS (Public Broadcasting System) has long been called the Petroleum Broadcasting System and not simply because "Mobil Masterpiece Theatre" has shimmered as the jewel of its fiction programming for twenty-seven years. Alexander Fraser, the president of Shell Oil, headed the Ford Foundation's Fund for Adult Education, which delivered the start-up funds for public television back in 1951. Frank Pace, the CEO of General Dynamics, who also served on the board of Continental Oil, became the first chairman of the Corporation for Public Broadcasting (CPB) in 1968. In the first half of the 1970s, mounting oil prices and profits, as well as investigations of corporate skullduggery abroad, led to a gusher of petroleum funding for PBS. As Erik Barnouw, the doyen of scholars on U.S. broadcasting, explained it: "It was the sort of combination—an image problem plus a glut of money—that had given birth to DuPont's "Cavalcade of America" [in the 1930s] and Alcoa's "See It Now" [in the 1950s]. This time public television was the beneficiary."[9] Reviewing the productions of PBS, critic John Leonard suspects that "DuPont sponsors 'Discover Underwater,' Waste Management International sponsors 'Only One Earth,' and Gulf Oil spends more money advertising than producing 'National Geographic' to help us forget just who polluted the planet in the first place."[10]

In 1986, Chase Manhattan delivered an advertising supplement carrying the announcement;"With the Government giving less to art and education, somebody's got to give more. And that somebody is America's corporations."[11] According to Leonard, "While federal funding shrank from 86 percent of public broadcasting's total reve-

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nue in 1980 to 16 percent in 1995, or $312 million, corporate funding increased by more than 50 percent ... to 27 percent of national program costs." Mobil vice-president Herbert Schmertz saluted "Masterpiece Theatre," noting that "cultural excellence generally suggests corporate excellence." Chin-tao Wu, a leading authority on arts sponsorship, puts it another way: "... arts sponsorship is particularly effective for those companies, such as petroleum, tobacco, and weapons industries, whose image is in need of polishing. It is therefore no coincidence that Exxon and Mobil provide the largest amounts of money for arts and culture in America."[12] This may be what Mobil's general manager of public and government relations Peter Spina was referring to when he extolled "the halo effect." For Leonard,

> That petroleum companies should be such fans of John Galsworthy and George Eliot we find charming, unless we also know that a board member of the Metropolitan Opera-supported Texaco tried to buy off PBS in 1980 if it agreed to drop 'Death of a Princess'—a BBC account of the execution of a royal adulteress so offensive to Saudi Arabia that it threatened an oil embargo. And we remember that Gulf + Western cancelled support of WNET in New York after the telecast of 'Hungry for Profit,' a 1985 documentary on the rape of the rainforest. And we have noticed public TV's shamelessly shallow coverage of the Exxon-Valdez oil spill and its shameful neglect of the role of Shell Oil in the murder of Ken Saro-Wiwa and the ravening of Nigeria."[13]

Undaunted by such ruses of the powerful, Karliner delivers a survey of global resistance to the ongoing corporate "greenwashing" offensive. Certainly there are times when his account of this offensive, a sickening reminder of Marcuse's formulation that capitalism is capable of absorbing, re-packaging, and commodifying so many types of dissent, sinks one into despair. To sell the sea of crud coming off the assembly lines of late capitalism, the yuppified populations of the 1960s ("the children of Marx and Coca-Cola," as Godard might have it) proudly attach John Lennon's anthem of "Revolution" to Nike sneakers, and the verdant symbols of ecolo-consciousness to other products. Yet Karliner shows resistance movements which are able to see through the greenwashed veneer: communities of hope who refuse to surrender to what the mainstream media heralds as the inexorable triumph of the market. He is fearful that ecological discontent could lead some green constituencies to turn brown (fascist); that is to say, he is concerned that corporate dislocations of traditional communities will be exploited by the right-wing forces of anti-market nationalism, such as India's BJP (Bharatiya Janata Party). Closer to home, there is the threat of the increasingly formidable figure of Patrick J. Buchanan. The left has to do more

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than appeal to the impending signs of catastrophe: i.e., the old belief of scientific Marxists that the economic system is eventually headed for apocalyptic crash, the peace movement's sense that a nuclear war or accident is inevitable, or the ecologist's forecast of massive global warming (what the most dire accounts portray as the *Waterworld* scenario, referring to the recent film). Karliner is profoundly aware of these perils. Still, he leaves a palpable impression that, here and now, genuine movements exist that have the capacity to reverse history's course. The inhabitants of Earth need not surrender to ecological perdition as the planet's fast-approaching fate.

NOTES

1. Karliner's book discusses this memorandum, but the most thorough dissection of this document was produced by John Bellamy Foster in "'Let them eat pollution': Capitalism and the World Environment," *Monthly Review*, January 1993.
2. My thanks to Norman Finkelstein for supplying this Birn axiom in a private correspondence.
3. According to David Lauter, "Environmentalists Flex Muscle over Key Appointment," *Los Angeles Times*, December 10, 1992, Summers called his work "sardonic" and written in a "highly ironic context." Lauter claimed that Al Gore initially fought to prevent Summers from becoming "Clinton's chief economic adviser." Elsewhere, the World Bank economist regarded himself as another victim of "political correctness" for asking "the legitimate question whether environmental standards should be the same worldwide," quoted by Michael Weisskopf, "World Bank Official's Irony Backfires," *Washington Post*, February 10, 1992.
4. David Brower, "Why I Won't Vote for Clinton," *Los Angeles Times*, July 21, 1996.
5. See David Warsh, "Rubin's Way," *Boston Globe*, December 14, 1997, p. E1. He refers to Summers as "the administration's scrappy point man on all things financial and strategic: global warming, the Internal Revenue Service, negotiations with the Japanese and Koreans, bankrolling privatization in Russia, Social Security reform, and so on."
6. Earth Day petition to Newt Gingrich quoted by Brian Tokar, *Earth for Sale: Reclaiming Ecology in the Age of Corporate Greenwash* (Boston: South End Press), p. 31.
7. Besides Tokar's work, readers should include these recent works as powerful indictments of mainstream environmentalism: Victor Wallis, "Lester Brown, the Worldwatch Institute, and the Dilemmas of Technocratic Revolution," *Organization and Environment*, vol. 10, no. 2, June 1997, pp. 109-125; Timothy W. Luke, "The World Wildlife Fund: Ecocolonialism as Funding the Worldwide 'Wise Use' of Nature," *Capitalism, Nature, Socialism: A Journal of Socialist Ecology*, vol. 8 (2), June 1997, pp. 31-61; and Alexander Cockburn and Ken Silverstein, *Washington Babylon* (New York: Verso, 1996), especially their chapter "Greens and the Color of Money," pp. 187-247.
8. Tokar, pp. 19-21.
9. Eric Barnouw, *The Sponsor: Notes on a Modern Potentate* (New York: Oxford University Press, 1978), p. 66.
10. John Leonard, *TV: The Mummy's Curse*," New York Review of Books, May 28, 1998.
11. Chase Manhattan advertising supplement, "American Business and the Arts," *Forbes*, October 27, 1986.
12. Chin-tao Wu, "Embracing the Enterprise Culture: Art Institutions Since the 1980s," *New Left Review*, 230, July/August 1998, p. 34. She adds: "Ironically, only 9.7 percent of British respondents to my survey, compared to 39.6 percent of American companies, considered the tax incentive of any importance at all ... When asked their reasons for

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launching arts sponsorship, 92.7 percent of British companies (78.2 percent of American companies)considered it a means of improving corporate image, and 90.6 percent (78.2 percent of American) saw it as a public relations exercise...." For transformations in arts policy, see her Ph.D. dissertation at the University of London entitled "Privatising Culture: Aspects of Corporate Intervention in Contemporary Art and Art Institutions during the Reagan and Thatcher Decade." In the *Financial Times* survey of arts sponsorship (June 30, 1998), journalist Simon Tait remarks: "The message is: 'Big Business cares.'...Research earlier this year by Mintel confirmed what bright marketing managers already knew: that consumers are increasingly inclined to make purchases based on ethical considerations—61 percent, the research said—so businesses which want to attract customers should establish their ethical credentials."

13. Leonard, *loc. cit.* Leonard's review essay also provides the quotations of Herb Schmertz, who joined Mobil in 1966 and became its vice-president for public affairs from 1974-1988, and the late Peter Spina, a Mobil employee from 1968 until his death in 1993. He served as a general manager in the late 1980s and a vice-president in the early 1990s. Spina long campaigned for Nelson Rockefeller, while Schmertz is a confidant of the Kennedy clan. In an enthusiastic commentary on Schmertz's book *Good-bye to the Low Profile: The Art of Creative Confrontation*, Barnaby J. Feder of the *New York Times* (January 26, 1988) writes: "Mr. Schmertz argued that companies should withdraw their financial support from groups that criticize them and their advertising from newspapers and television stations whose coverage they regarded as unfair." According to Ralph Engelman in *Public Radio and Television in America: A Political History* (Thousand Oaks, CA: Sage Publications, 1996), "Mobil played hardball with newspapers containing critical articles about the company and its executives, leading to an information and advertising boycott of the *Wall Street Journal* and a libel suit against the *Washington Post*" (p. 194). Claiming that "Herb Schmertz's involvement in public television seemed to defy PBS guidelines prohibiting underwriters from exercising editorial control," he quotes "an associate of Schmertz at Mobil," who declared: "Schmertz makes the first judgement and the final judgement. He selects the program or Mobil won't put up the money, and WGBH knows it. He goes to England to look for product and also has others looking for him" (p. 195).

Two notes to our readers: endnotes for Rick Kuhn's article "Rural Reaction and War on the Waterfront in Australia," plus the full text of the article (from the November 1998 issue of *MR* [vol. 50, no. 6]), are available at his website: http://www.anu.edu.au/polsci/rick/mr.htm. We regret that the notes did not appear along with the article.

In the January 1999 issue (vol. 50, no. 8), Bryan Palmer's article "Before Braverman" quotes Jean Tussey's recollections of the heated atmosphere in the Socialist Workers Party in May 1953, when Harry Frankel and Bert Cochran opposed James Cannon. An innocent error in interpretation and transcription of Tussey's remarks attributed the comment, "Cannon is a son of a bitch!" to Frankel (Braverman). The comment was actually made by Cochran.

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tial proportion of the U.S. budgetary surplus to the Social Security system for investment in the stock market instead of safe but low-yield government bonds. Without privatizing the system, we're told, Clinton's plan would take advantage of the much more lucrative stock market. What this really means is that Social Security is not a basic human right. It's a crapshoot.

The most fascinating response to this proposal has come from Federal Reserve chairman Alan Greenspan, who has attacked Clinton's scheme on the grounds that, with so much public money invested in the stock market, it would be hard to avoid government interference in private enterprise. Echoing his warning, other critics, who would obviously prefer outright privatization, have suggested that Clinton's system would enable the government to divert the investment from, say, the tobacco industry to other, more "ethical" investments.

Now, we were very interested in this response. Some of us might, at first glance, have thought that any involvement of the stock market in the provisions of pensions is a dangerous concession to capitalism, which not only involves huge risks but is yet another step in the subordination of all social goods to the imperatives of private profit. Some of us might have thought that it's bad enough living in a capitalist world where the only way to secure our old age is to gamble on investment in mutual funds, or to have our pension funds invested for us by our employers. Now, even our state pensions seem to be going the same way. But Greenspan is setting us straight on that: investing Social Security funds in the stock market is really a threat to free enterprise.

Well, we should be used to that kind of thing, that knee-jerk response, from spokesmen for capital who see red in any kind of state intervention unless it's intented to bail out capital or to suppress opposition. And, of course, the intrusion of such a major interloper into the movements of stock prices is an affront to brokers and speculators. The trouble is that some people on the left seem to have accepted the same view, and are welcoming Clinton's proposal for that very reason—if not as a harbinger of socialism, at least as a way of civilizing capitalism.

This is an illusion. Capitalism is about the production of goods and services not for their use-value but for capitalist profit, so that all other considerations are subordinate to the requirements of profit-maximization and capital accumulation. This isn't a simple matter of ownership. Even worker's cooperatives, for instance, can be subject to the imperatives of capital accumulation if they operate within a system where the "market" regulates the economy. In such conditions, even in the absence of capitalist employers, workers (as Marx pointed out) will be subject to

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self-exploitation—not to mention other typical responses to market pressures, such as closing unprofitable enterprises and laying off their workers.

The same general principle applies to any pension fund invested in the stock market. Here too, the principles of capitalist profit dominate everything else—except that now we're dealing with capitalist profit in its most predatory, as well as its most risky, form, even further removed from the production of use-values: profit derived from speculation on the fluctuation of stock prices. Here, too, ownership is not the central issue. A union pension fund is no less likely, no less obliged, than any other to be managed according to basic capitalist rules.

There's absolutely no reason to think that state-run pension funds that rely on the stock market will operate according to a different logic. In fact, it would be hard to argue that they should. Sure, there is some room for maneuver at the margins, and an "ethical" or "social" fund would in some ways be preferable. But the differences couldn't be that great because, ultimately, the choice we'd be offered is between a profitable pension fund—i.e., one that operates successfully on capitalist principles—and a fund that operates on some other principles more acceptable to socialists but which, for that very reason, performs badly in the market.

We've talked before about the emptiness of the "Third Way," and here is a very good example. Capitalism doesn't, in the end, permit any third way. You either obey its basic rules or you go under.

Recently, we got a letter from Boris Kagarlitsky who, with Roger Burbach and Orlando Nunez, co-authored *Globalization and its Discontents*, a book reviewed in *MR* by Chris Rude. Boris complains that Chris didn't give enough attention to the disagreements he has with his co-authors. As he points out, though both the review and Burbach's introduction to the book refer to disagreements, they never specify what those might be. Boris says that any reader should have been able to guess from the substance of his chapter that he disagreed fundamentally with the conviction expressed by the others that the Marxist project is dead and that the nation-state is irrelevant. He goes on to explain that "the trouble was that the sharpness and irreconcilablility of the contradictions between Marxism and postmodernist interpretations of socialism became obvious to me exactly while I was working with Burbach and Nunez."

We welcome Boris's clarification, and while the contradictions between Marxism and postmodernist interpretations of socialism seem more immediately obvious to us, we heartily concur with his assesment that those contradictions in the text of the book "lend the book a still more postmodernist air."

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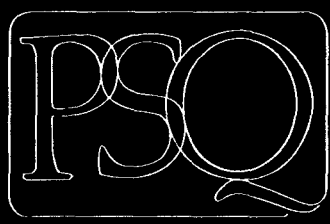

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point in the not too distant future, there won't be enough reserve funds to pay the pensions promised to retirees. But this means that Social Security is being treated in a way that applies to no other part of the state budget. Why should Social Security depend on the financial integrity of a special trust fund in the first place? Why should benefit payments be limited by the volume of payroll taxes and the size of the fund? Why should the system depend entirely on such a fund instead of drawing on general state revenues, like just about every other pension system in the world? No one, for instance, expects arms expenditures to be subsidized by a separate fund. No one expects the "defense" budget to stand or fall with the changing fortunes of a special trust fund. It's taken for granted that arms expenditures come out of the general state budget, so why not Social Security?

When he introduced the system, President Roosevelt tried to put a positive spin on the payroll tax fund."With those taxes in these pensions," he said, "no damn politician can ever scrap my Social Security program." But the simple truth is that the specifically American principle of depending only on accumulated payroll taxes was imposed to satisfy insurance company interests and conservative legislators, so the 1935 Social Security Act could be pushed through Congress.

Well, the politicians haven't so far succeeded in scrapping Social Security, but they sure have chipped away at every aspect of means-test social benefits—welfare, food stamps, Medicaid, and others. And they have generated a fear that the Social Security system, which Roosevelt called "a legal, moral, and political right," will be destroyed by a potentially bankrupt trust fund sometime soon.

The concept of a government function going bankrupt is in itself a fraud, so long as the government has the power to levy and collect taxes. Besides, the gloomy forecasts about the stablility of the existing system are full of holes, because they are based on grossly unreliable and detailed guesses about the economy decades ahead. Still, as fraudulent as it may be, the pall of fear does serve a purpose. It spreads gloom over social benefits and justifies shrinking them for the poorest and weakest members of society. It has now become almost universally accepted that Social Security is in need of "reform."

Money marketeers would love to see the system privatized. The enormous amount of money in a constantly enlarging fallow trust fund excites their imagination. Just think of the profits made by the health insurance firms. Now we have President Clinton, urgently needing to show leadership and divert public attention from other matters, proposing a way allegedly to rescue Social Security, a change that plays to the money crowd while skirting around outright privatization.

In what some people are treating as a brilliant compromise (though there's nothing really new about it), Clinton proposes to divert a substan-

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